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JOURNAL *of* FARM ECONOMICS

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TAXES A CAUSE OF AGRICULTURAL DISTRESS[1]

B. H. Hibbard
University of Wisconsin

During the past twelve years taxes have been a serious burden to farmers, but within the past three years they have, in increasing instances, become unbearable. In 1913 taxes absorbed not over 10 per cent of the farmers' net income. During the nine years from 1921 to 1929, the usual computation showed that taxes were taking 30 per cent, or perhaps a full third of the net income. Several attempts were made during these years to arrive at a measure of farmers' taxes in comparison with those of urban taxpayers. In each study it was found that the farmers were carrying a heavier relative burden than were city people. These comparisons were made on the basis of taxes paid in relation to income received. A comparison of taxes on farms with taxes on city real estate reveals a similarity rather than a divergence in treatment of this kind of property no matter where found.

With the falling prices of the past three years, the tax burden which had seemed intolerable for nearly a decade, became suddenly and seriously worse. What had appeared unbearable, but had for the most part been borne, and here the reference is to operating farmers, not to owners of unused lands, has, within the past three years, not been borne in the same manner, or to the same degree as previously. For a brief time taxes may be paid out of savings by letting other less pressing bills go unpaid, or by lowering expenses, involving the standard of living, thus squeezing from the general family budget the funds demanded by the state. The amount of revenue to be raised by

[1] This paper was read before a joint meeting of the American Farm Economic Association and the American Economic Association, Cincinnati, Ohio, December 28, 1932.

such means as these is strictly limited, and will be more and more limited if the depression continues. Taxes must and do eventually come out of income. The farm income having been greatly reduced, the time is upon us when tax payments by farmers must likewise be reduced, or the farms will be taken over by the state, and for the time at least, become a part of the new and growing public domain. Until within two years the increase in taxes was one of the most outstanding phenomena of the day, and unfortunately for agriculture, the increase of the farmers' taxes was relatively greater than most other tax increases. The recent reductions, moreover, are not in proportion to the reduced incomes of farmers. Hence, relatively, taxes have increased right down to the current year.

Taking 1914 as the base, farm taxes have, in less than twenty years, grown to well-nigh three times their former size, or more exactly, they have increased by 166 per cent. The most rapid increase occurred between the years 1917 and 1921. In this short space of four years, farm taxes doubled. The prices of farm products had also doubled, doing so a little earlier, between 1915 and 1918. Thus taxes were not burdensome—less so, indeed, than usual. But the tide turned definitely in 1921. In that year, in round numbers, general commodities at wholesale fell off a third in price (retail prices fell much less), the farmers' selling price fell nearly a half, while farm taxes rose nearly a half. From this time to 1929 taxes took an appalling share of the farmers' income. Since 1929 they threaten the whole farming class with destruction.

Tax Burdens

As is well known, direct taxes on property are imposed by state and local governments, not by federal authority. Hence the tax situation of one state bears no necessary relationship to the situation in any other state, except as brought to pass by a common pressure of circumstances. The tax experiences and burdens are, nevertheless, strikingly alike within the several states, yet with differences quite worthy of note.

A comparison of the tax index with the gross farm income index gives a general view of what has happened. The tax index reached 266 for the year 1930, since which time it has started downward in some significant, but unknown, degree, yet it still stands close to the 250 mark, or two and one-half times as high as in 1914. The gross income, in sharp contrast, shows a decline from the high prices of the war period to a level about two-thirds as high for the seven years 1923 to 1929, since which time

a further depression brings us to levels not even half as high as those prevailing during the major part of the past decade. It is between the upper millstone of falling prices and the nether millstone of its stoutly resistant counterpart in the form of rising taxes that the farmer is being ground to powder. In fact, the milling process is completed already in many instances, while society, as is always the case, holds the sack while such processing, of its own invention, arrives at the stage of the finished product. There is indeed already a grist, large and growing, of scrapped humanity, and land titles of which the value is uncertain, and which seem destined to decline farther and farther as the state attempts to collect its toll through the usual methods of tax certificate sales.

As stated above, the taxes from 1920 to 1930 absorbed as much as a third of the net income of the farmers. Since 1930 the comparison breaks down because of the virtual disappearance of any income properly to be labeled *net*. If a reasonable allowance be made for the labor performed by the farmer and his family, the farm income of this year and last (1931-1932) is a negative quantity. Thus taxes, at least in part, are now coming out of the farmers' imputed wages.

A comparison of taxes and rent is enlightening. At its worst in Iowa—viz., in many consolidated school districts—the taxes absorb all the cash rent, and recently the share rent is less than the cash. It is estimated that taxes in Pennsylvania this year will absorb 75 to 80 per cent of the returns to farm real estate —the rent which a farm pays to its owner. In Ohio about 60 per cent of the estimated net income before taxes are paid must go for taxes. In North Carolina taxes absorb half the farm rentals. These few samples, manifestly somewhat inexact, are no doubt fairly typical of the situation over most of the country. The Single Taxer's hope of the past generation is approaching realization, though of course, its permanency is not secured by legal enactment.

Many attempts have been made to visualize the burden of taxation of the present in terms of former years. It may be shown, for example, that whereas a farm in Kansas of 640 acres worth $50 an acre has often been taxed about $450, or 70 cents per acre, the tax prior to 1930 could be paid with the proceeds of a little over three pecks of wheat per acre. With taxes at the same figure this year, or last, nearly three bushels of wheat per acre are required in settling with the tax collector, or four times as much as a few years ago.

Again a representative farm in the corn belt may be taken as typical in the matter of tax exactions. Assume a piece of land in Iowa with 160 acres planted to four different crops in equal area: corn, oats, barley and hay, forty acres each. The owner sells enough from each forty to pay its proportional share of the taxes. In 1929 it would have required in payment of taxes, at $1.50 per acre, 86 bushels of corn, 150 bushels of oats, 115 bushels of barley, and 5 tons of hay. This would take, respectively, a little over two acres of corn, four acres of oats, four acres of barley, and under three acres of hay. All told, the product of 13 acres would, at that time, have satisfied the tax demands. Thus on the land alone, about 8 per cent of the crop would, three years ago, have paid the taxes, leaving out of account taxes on buildings and personal property. On the same land this year, 1932, in payment of taxes of the same amount, it would take: corn 10 acres, oats 17 acres, barley 17 acres, and hay 6 acres. Thus 50 acres, or almost a third of the crop is required for taxes. This would appear to equal, substantially, the usual amount of the rental value of the land, on the assumption that the owner gets, net, not far from a third of the crop as rent.

Thus the farmer of today performs the "week work" of two days per week for the state for the privilege of working the land, in addition to which he performs "boon work" of a considerable number of days per year as a tax on his buildings and chattels, making all in all something less than half, but more than a third of his full time for the year. He gets more in return for these payments than did his ancestors for a like contribution to their lords at the time of Edward I. Yet taxes are now one of the most formidable bills which the farmer has to meet, exceeding expenditures for feed or labor. In fact, the interest charges alone, counting interest on personal as well as on mortgage indebtedness, exceed the taxes. Moreover, there is no other demand so imperative and immediate as the demand of the tax collector. For this reason tax delinquency of several years' standing betokens unmistakably one of two underlying conditions: either the owner of the property is unable to pay, or he has made up his mind that the property is not worth the cost. In other words, the owners' equity has been squeezed out, a condition becoming alarmingly prevalent.

The taxes paid by farmers as an entire group have, within the past few years, exceeded the interest paid on farm mortgages. In 1910 the tax bill was equal to 90 per cent of the mort-

gage interest payment. In 1920 it was 13 per cent in excess, and in 1930 it exceeded the real estate interest charge by 22 per cent. Of course this comparison is between 41 per cent of the farmers with mortgaged farms on the one hand, and all farmers on the other hand, and merely serves to show that the tax load is, in bulk, greater than the mortgage interest load to agriculture as a whole. A more telling comparison can be made within the group of mortgaged farms. In 1910 on these farms the taxes were 31 per cent as great as the interest; in 1920 they were 42 per cent as great as the interest; in 1930 they had all but reached a magnitude half as great as the interest, 49 per cent. For those in debt on the farm itself, therefore, if the taxes take a third of the net income, the interest takes the other two-thirds. This may fail of mathematical accuracy so far as the average is concerned, but that it is literally and painfully true in a great number of instances is manifest in the unprecedented number of foreclosures, and the much larger number of instances in which payments of either or both of interest and taxes are being allowed to fall behind the date due before final settlement is demanded.

Tax Delinquency

There have been periods of tax delinquency before, but this generation of farmers has seen nothing like the present bankruptcy due, in part, to taxes disproportionately heavy in relation to tax-paying ability. The exact amount of tax delinquency in the rural districts is unknown, and at present entirely unknowable, due to a lack first of a uniform system of amassing such information, and second, of any system at all. In many states no central authority has any adequate idea of the amount of delinquency within its own borders. In these instances the state either does or does not succeed in collecting its own revenues, as the case may be, through the counties, but how much delinquency there may be within county confines, there is only an impression. However, by the sampling method, a fairly accurate picture of the situation may be presented. Non-farm land is included with the farm land, and often exceeds it in area in the following figures.

In Arizona tax delinquency increased seven fold from 1927 to 1931; in Nebraska in predominantly agricultural counties there was an increase within the same period of thirteen fold. In New Hampshire, within a section of the country in which delinquency is not prevalent, there was twice as much in 1931 as

in 1930. Within a considerable number of counties in the following eight states tax delinquency has reached the fifty per cent mark with respect to the amounts due: Colorado, Michigan, Minnesota, Oklahoma, Oregon, South Dakota, Utah and Wisconsin. In land area the percentage of delinquency is often much higher, reaching in the cut-over portions of the Lake States, and elsewhere, no less than two-thirds of the total. No doubt there are several more states in which the same situation obtains. In other states smaller but no less significant proportions of delinquency are reported. For example, in a large group of Kansas counties comprising over half the state, the delinquency is 15 per cent; in Illinois in 21 agricultural counties delinquency was recently 22 per cent.

In the thoroughly settled and established parts of the country not very much land is delinquent beyond a mere lag in payments. For example, in Mississippi despite the spectacular reports to the contrary, there is not much farm tax delinquency. In Indiana, in certain counties, there is around 8 per cent. In Iowa very little. In this latter state half the farms are mortgaged, and if the farmer cannot pay the taxes the mortgagee must, and does. The same is true of many other districts. Taxes being a first claim, taking precedence over all mortgages and liens, they must be paid at all costs if possession of the farm is to be retained.

The greatest bulk of delinquency in terms of acres is found in five states, viz., Michigan, Wisconsin, Minnesota, South Dakota and Oregon. In these states the delinquency at last accounts embraces 40,000,000 acres of land, the equivalent of the whole area of Michigan, with a few million over for good measure.[2] Of course, this delinquency is not mainly of farm land, but lying within strictly rural districts, among farms and ranches, such delinquency is of great agricultural significance.

Within these states of high delinquency there are many acres once on the delinquency roll which are no longer so entered. Recovery is not the only manner of reducing the number of people on the sick list. Death is just as effective. If, according to figures of speech much in use, there is life in private property, it may be said that much of such life has at least passed into another realm of existence within the past few years. In Wisconsin not less than 2,500,000 acres of land have recently become public, county property. Another million in the same state is moving toward national ownership. South Dakota, as a state, now owns

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[2] Jackson, Donald. "Land Tax Delinquency a Growing Problem." U. S. Department of Agriculture Press Release, June 15, 1932.

over a million acres of farm land acquired through interest and tax delinquency, and another million acres, not all farm land, which she is acquiring through tax disaster alone. Michigan has tax deeds to 1,600,000 acres. Thus in these three states are to be found some six million acres of land on which taxes are no longer levied. Such land is to be accounted, mainly by courtesy, as assets of the states. In any case these lands are listed as property, and not being openly labeled as free goods, are at least nominally economic goods, and will remain such as long as our cost-of-production theorists in the various county seats and state capitols maintain a hope of getting out of them something approaching what they appear to have in them. In any case they will not, in the near future, again appear on the tax delinquency rolls.[3]

There is no clear line of cleavage between the influence of taxes and other causes, mainly indebtedness, by which farmers are losing their farms. However, some facts stand out unmistakably. Within the vague, but extensive limits of marginal farm land there are millions of acres delinquent on the tax rolls. These acres may or may not be mortgaged, many of them are, but the mortgagee lacks the courage or the funds, primarily both, with which to proceed with the enforcement of his contract whereby he may gain title to the land. In these cases the cause of the disaster, if it be such, to the original owner is divided between the two charges, taxes and interest. A farm which yields a few dollars net income in normal times will stand normal taxes. But when the income changes to a lower level, almost without notice,

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[3] Tax Delinquency in Selected States.
A. Increase in Percentage of:
Arizona—seven fold, 1927 to 1931.
Nebraska—13 per cent in two years.
New Hampshire—doubled in two years, reaching 16 per cent.
B. Percentage of Tax Delinquency in:
Colorado—group of counties, 37 to 50 per cent.
Illinois—group of 21 agricultural counties, 22 per cent.
Kansas—group of counties, 15 per cent.
Minnesota—33 per cent in cut-over area.
Montana—35 per cent.
Oklahoma—group of counties, 10 to 50 per cent.
Oregon—some counties, 50 per cent.
South Dakota—30 per cent.
C. Acreage delinquent: Land Deeded to State:
Michigan—15,000,000 acres delinquent.
1,600,000 acres deeded to state.
South Dakota—over 1,300,000 acres deeded to counties, or subject to deed.
The state has also taken over more than a million acres of farm land under the state farm loan act.
Wisconsin—7,000,000 acres delinquent.
2,500,000 acres deeded to counties.
D. Tax Burden in Terms of Income and Rent:
Iowa—in some school districts taxes equal rent.
North Carolina—taxes equal 49 per cent of rent.
Ohio—taxes equal 60 per cent of net farm income in selected counties.
Pennsylvania—taxes take about 75 to 80 per cent of return to real estate.
(The information above presented is based on state bulletins, letters from tax commissions, and letters from economists making tax studies.)

and the taxes remain virtually unchanged, the famous dictum of John Marshall is exemplified in a sale of the third successive tax certificate, and the issuance of a tax deed. The tax has destroyed the owner's equity in the property against which it was levied. During the past two years, when for the first time the numbers of forced sales of farms exceeded the voluntary (many of which undoubtedly were somewhat short of the fully voluntary), the heavy taxes reached crushing weight, they may be said to have come to par with mortgages as a means of dispossessing farmers of their holdings. In most instances the mortgagee will ostensibly be the more efficient cause of the final culmination of disaster, but not infrequently the mortgages of today contain undesignated items of past taxes unpaid and taken care of temporarily through an enlarged mortgage, or a second mortgage.

Whatever tax burden the farmers can bear, it is certain that they cannot bear a tax which absorbs the major part of their net income. This cannot be done even temporarily if by the term is meant a few years. The zeal, or the residuary legatees of the zeal, such as bond-holders, office-holders and enlarged overhead, of our public housekeeping is eating us up.

Farm Taxes Not Only Are, But Have Been Too High

For over a decade, it has been patent to the most casual observer that the farmers' taxes have been too high, and although it cannot be said that nothing has been done about it, it is plain that nothing adequate has been done. Taxes are too high on other property, and on other people, but nowhere do they fall with such crushing weight on any considerable number of people as on the farmers. The reason for this is not only obvious; it is likewise, to many, well known. It is the logical and inevitable result of our antiquated tax system. We thought a hundred years ago, when the general property tax system, not then new, was coming into its own in a major fashion, that about all that was needed from then on was honest and efficient administration—the real thinking had, presumably, been done.

Neither can it be said that the system is as fair to one class of people as to another. Circumstances are such that the system works out badly when well administered. It must be remembered that the general property system of taxation is based mainly on sales values. Furthermore, it must be noted that farm land was systematically and persistently over-valued for a long period of years, in fact almost until the present phase of the depression.

At no time during the past century could the cash rentals paid for farm land be capitalized into such figures as the land brought when sold. At the same time the tenant on the cash-rented farms did not appear to be getting hold of any use values of the land beyond what he paid for. Probably because the orgy of spending money for public purposes hardly got a start until within the past decade and a half, the farmers were not taxed beyond their ability to pay. With the boom prices, taxes not only rose proportionately, but went beyond the proportional increase, reaching the high point tardily, and after the high prices were past. Farm land was still listed on the tax rolls at figures approaching the extravagant prices of the immediate post-war years. Later when sales were at a low ebb, the assessors ceased to worry about this measure of value, which, though faulty, had served the purpose, and under the pressure of the boards to which they reported, fell back on the best criterion known to the whole assessing fraternity—viz., that of the previous rolls, which they copied. The doctrine now is: to each taxing unit according to its needs, in accordance with the highest social conscience and concept, but from each even to the last dollar he receives whether he is, or is not, thereby driven to the public soup kitchens. Not that any public official is to blame, or has any sinister motives in arranging the tax rolls. Far from it. The trouble lies much deeper. We insisted, because it was once measurably true, and many still do insist that the best measure of ability to pay is accumulated wealth. Practically, this means accumulated, visible, tangible wealth. It so happens that the farmer uses in his business, perhaps of necessity, an unusual proportion of tangible wealth as compared with the amounts or proportions used by others. For this reason a tax which looks reasonable on the face of it will absorb from the farmers' income a larger share than it will take from the income of business men of other callings.

Nor is the above indictment all that may be charged against the general property tax. Just as bad is the historical allocation of public duties and responsibilities. Long ago—at least century before last—the custom came into vogue of requiring each little community, in New England the town, or township as it is called farther west, to provide itself with schools. The building and maintenance of roads also fell to the lot of this small community. The responsibility has remained to this day largely as then apportioned, although economic life has undergone fundamental changes. Education does not pertain to a part of a state to the exclusion of the rest. Yet our cities have as good schools as

brains can devise—there has been no shortage of money—while out in the country every resource is strained to measure up in some degree at least, respecting schools, to the higher standards set in well-to-do circles. The same is true of roads, although the influence, and the authority to no small extent, demanding the heavy payments of recent years have come from the city. Almost without exception the city people fail to pay for roads in the proportion in which they use them. The farmers rear and educate children who not only go to the cities, but are destined to go there. The general property tax system is an impossibility in the way of a revenue measure, and the responsibility of supporting public institutions as now divided up among local school and road districts, although much improved over ten and twenty years ago, is still out of step with the times. In both of these connections, the farmer is the victim. Not only do we need economy in the use of public revenues, and a revaluation of public functions and services with appropriate changes, but just as urgently do we need a revamping of our tax system whereby the burdens may be better adjusted to ability to pay. Even in these troublous times there are incomes of real proportions, though much scaled down from the figures of former years. Colonel Robert R. McCormick is not alone in attributing the present reduced income of the well-to-do to the influence of the income tax. Whether or not he believes this, we need not inquire. It is widely accepted by those of large incomes. Another great authority in the estimation of the receivers of large incomes, Calvin Coolidge, lately made this statement, "More than half the net individual income is supplied by persons who receive less than $2,000 annually. These figures show . . . conclusively the fallacy of thinking the government can be supported by taxing the rich."

Perhaps we cannot run the government by taxing the rich, but we can improve matters mightily by taxing more heavily many who are much richer than the farmers, and it will eventually be done by enlarging the income tax, and abandoning in part the property tax. It would seem more logical to increase taxes on the rich than on the poor. In the meantime, farm taxes are a major cause of bankruptcy.

Discussion by Herbert D. Simpson

Northwestern University

Before taking up the one specific topic which I purpose to discuss, I am going to ask the privilege of enumerating some of the things I should like to discuss, in connection with Professor Hibbard's paper.

I should like to connect with the discussion of this 10 billions of farm mortgage debt and no one knows what amount of delinquent tax indebtedness, another debt, somewhere nearly equal in amount, which has received a vast sight more of sympathy and attention, namely, the European debt owed to American farmers and to other American taxpayers. I realize it is bad manners to drag in the subject of European debts in a discussion of farm debts. The two things occupy different levels. European debts are matters of high finance, surrounded by all the glamour of politics and diplomatic intrigue; farm debt and farm taxes are matters of lowly finance, surrounded by no glamour. The two things move in entirely different social circles, and I suppose that if a fancy French debt ever met an ordinary hard-working farm mortgage on the sidewalk it would not recognize it.

But nevertheless the two things *are* related. And I hope the American farmers will insist on putting an end to a lot of the loose talk about cancelling other debts while wearing themselves out in an effort to pay their own debts and taxes. The farm debts were incurred in an effort to build up farms and farm homes and farm schools; much of the European loans have gone merely to the maintenance of armaments, of nationalistic activities and new-fangled dictatorships in European countries. Cancellation or assumption of the whole farm debt would do vastly more toward restoring normal purchasing equilibrium in this country than would be brought about by all the remote and hypothetical benefits that could possibly accrue from cancellation of the European debt. I am not advocating cancellation of any legal debt. But if we must cancel something, cancellation of the European debts would seem to have less justification on the basis either of principle or policy than many other forms of cancellation in which we might indulge.

In the second place, I should like to discuss the possibility of establishing some regular form of municipal receivership for local governments, which are in distress on account of the inability of taxpayers to pay the taxes levied. Hundreds of local governments throughout the United States—counties, districts, cities, and villages—are now in default or on the verge of insolvency, in consequence of the conditions Professor Hibbard has described. Hundreds more will maintain their solvency, but will do so only by bankrupting a large proportion of the property holders of their communities.

Moreover these conditions have accompanied, in greater or less degree, all of our previous periods of severe depression. Professor Hibbard has discussed it as a *rural* problem. If so, it is one of those *rural* problems that we have in acute form in Chicago at the present moment. Mr. Hayden Bell, our attorney for Cook County, criticized a taxpayers' association a short time ago because, he said, these people really were facing bankruptcy and were merely trying to save themselves from bankruptcy by bankrupting the city government. Now, it is a brutal situation when our processes of collecting revenue put us in a position where we have to choose between bankrupting our local governments, on the one hand, or bankrupting a large proportion of property holders and citizens, on the other. But that is our situation; and these local governments ought to be able to avail themselves of the same protective device which a private corporation does, when it seeks the shelter of a receivership—a device,

under judicial supervision, by which these local governments could suspend payment of indebtedness temporarily, suspend or postpone tax collections, and conserve the assets of the community until the restoration of more normal conditions. A regular receivership would be the one best thing at the present moment for the city of Chicago and for hundreds of small local governments in rural sections of the country.

In the third place, I should like to point out that we have now reached a stage of depression where we are suffering not merely from "frozen assets" but from "frozen machinery." The machinery of normal exchange has frozen and ceased to function; and I should like to raise the question whether we should not have an administrative nucleus of what I might call "emergency socialism," whereby, when the normal machinery of exchange freezes up, the government could take over factories and industrial establishments, under lease or other voluntary arrangements with the owners, put the employees back to work—at deflated wage levels, ship the products up to the northwest and other rural sections, sell them for whatever they might bring or trade them for potatoes, sausages, and spareribs, and bring these things back down to Chicago and other cities where people are starving for want of them.

It would not matter much what these factories produced. If they happened to be piano and rug factories, and we could fill the whole northwest with grand pianos and Chinese rugs during a prolonged depression, *out of labor and resources which would otherwise be totally idle,* even that would be something to the good. I probably have as little faith in socialism as anybody here; but I am coming to suspect that if we had a minimum nucleus of socialistic organization that could be thrown into gear when our regular machinery of exchange is thrown completely out of gear, it would not only save a vast amount of distress, but would help greatly in the process of getting the normal machinery back into gear again.

These are some of the things I should like to discuss. Now the one thing that I am going to discuss, happens to be something which I should prefer not to discuss—that is the question of responsibility for the conditions Professor Hibbard has described. I agree with Professor Hibbard that these conditions are the result of our antiquated tax system; they are a normal by-product of the general property tax. We do not have tax delinquency under other forms of taxation—under excise taxes, gasoline taxes, or under income or inheritance taxation except in sporadic cases, growing generally out of prolonged litigation. We do not have tax delinquency under these other taxes, and we always have heavy delinquency, even in normal times, under the property tax. The reason is that the property subjected to heavy property tax rates may not represent any taxpaying ability, may not be producing any business, may not be yielding any income, may not be available for collateral for loans, may not have anything out of which taxes *can* be paid. You cannot get water out of a dry rock. It is true that Moses did smite a dry rock and got water out of it—and it is extremely unfortunate that he did; for ever since that time everybody else has been trying to do the same thing; but as far as I know, no one but Moses has ever been able to do that trick. We certainly have not been able to do it with our property tax; we have been smiting that rock for the last seventy-five years, and for long periods at a time it has been a very dry rock.

Now it happens that throughout most of this period the farmers and the rural towns and villages have been the heaviest sufferers, as the statistics cited by Professor Hibbard abundantly show. These statistics would not be so surprising if it were not for another set of statistics which Professor Hibbard has not cited, namely, the population statistics of the Census. These indicate that until 1920 a majority of the total population of the country was rural, and that in that year 30 per cent of the total population were actually living on farms. Now in a despotic nation it would not be surprising to find classes that are numerically large but that have little voice in the government, carrying an excessive share of the burdens of government. But in a nation with universal suffrage, the spectacle of a group which constitutes the largest single group of voters in the country and in some states an actual majority of all voters, voluntarily imposing upon itself a strikingly disproportionate share of tax burdens, is sufficiently unique to arouse curiosity.

The truth is that the farmers themselves have been more influential than any other group in shaping the tax systems of this country, both Federal and State, into exactly what they now are. The farmers have been the bulwark of the protective tariff, the bulwark of the general property tax, the bulwark of our extreme concentration of government functions upon small local units of government. The farmers have been the backbone of opposition to the development of state income taxes, defeating one proposed amendment after another, in agricultural states; they have been the backbone of opposition to a rational reorganization of the functions of state and local government, with a view to lightening the burden of local government. Over many of his other difficulties the farmer has no control—climate, foreign production, prices, etc. But his tax difficulties are not only largely under his control—they are in fact very largely of his own making. Here he has suffered from nothing so much as from his own ignorance and inability to see through the interested propaganda of other groups.

Even among the leaders of farm groups I cannot help but feel that there has been too much—I was going to say too much pussyfooting on the tax question—too much attention to mere matters of getting assessments reduced and other petty concessions here and there, instead of working for more fundamental remedies. In the field of new legislation, for example, looking at it from the standpoint of the farmers, we do not want any mere nominal income tax that will yield a few millions of revenue, or one that is full of off-sets, deductions, and other provisions that nullify its effect. I should say, in line with Professor Hibbard's suggestion, that if half of our state and local revenue were derived from income or other sources than the property tax, we should have a much more equitable distribution of tax burdens, a much sounder system of government finance, and vastly less tax delinquency.

FARM MORTGAGE DELINQUENCIES AND FORECLOSURES[1]

ROBERT M. GREEN
THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

To Life Insurance Companies farm mortgage delinquencies and foreclosures and general farm mortgage problems are an old story. Their farm mortgage investment experience goes back more than fifty years. The present era so far as this problem is concerned, however, may be said to date from the recovery from the depression of 1893.

We are all familiar with the constantly rising land values and rather stable conditions that existed from 1896 to 1920. These constantly rising values during this period saved farm loan investors from problems of delinquencies and foreclosures, and reduced the problem for the insurance companies to one of acquisition of new mortgages and routine collections. During this period, if any borrower found himself in financial difficulties he was able to dispose of his farm, usually at a satisfactory profit, and in practically all cases at a price in excess of the first mortgage before the holder of the mortgage realized that the borrower was unable to carry his debt or pay it. This was the ideal period for the farm lender.

The war years, from 1914 to 1920, were not so important from the strictly farm mortgage standpoint as they are often considered, particularly for life insurance companies. In the first place, the life insurance companies were placing a large percentage of their investment funds in Liberty Bonds; in the second place, we had the "flu" epidemic which reduced materially the volume of insurance company funds available for investment; in the third place, the exceedingly high land values made the life insurance companies cautious and reduced the volume that they were willing to put out until more stable conditions existed in the land market.

The most important era, when considering our present problem, was the wild decade from 1920 to 1930. This was the boom decade for all types of securities and the farm mortgage was no exception. If we take farm mortgages out of the agricultural problem and consider them purely as an investment problem beside common stocks, foreign bonds, railroad bonds, city mortgages, municipal bonds, bank stocks and all the rest, they have

[1] This paper was read at a joint meeting of the American Farm Economic Association and the American Economic Association, Cincinnati, Ohio, December 28, 1932.

not fared so badly. The farm mortgage, from the investor's standpoint, has a peculiar quality of permanence which is lacking in a great many other investments. Equity securities, such as common stocks and encumbered real estate ownership may vanish entirely in hard times. A great many bonds have become entirely worthless. The farm mortgage, however, has land as its security. If the borrower fails, the mortgage becomes a piece of land. There is always something recoverable and often a little time will permit recovery of one hundred cents on the dollar. Even if the land acquired must be sold on a crop payment plan or on a contract with no cash, insurance companies still have an investment and are satisfied if the annual payments are continued. The farm mortgage, as a type of investment at the moment is rather sick, but I think it is well to pause for a moment and remember that it can never die completely as so many other investments have and may; and its possibilities for satisfactory recovery are probably as good as those of any other general type of security in the market.

There is no object in my going into the causes for the general boom in all investments that occurred between 1920 and 1930. It is sufficient to say that the splendid experience of fifty years with farm mortgage investments caused the large lenders to seek actively farm mortgage investments in increasing volume. They refinanced a great many of the mortgages held by country bankers and private individuals. They went in with low rates and attractive terms and took the business.

I have been asked to discuss the geographical phase and the marginal land phase and the problem of farm loan delinquencies and foreclosures. This discussion belongs particularly to the decade from 1920 to 1930. It does not belong to the previous period, because even loans in what might be considered marginal areas, showed satisfactory records due to the constantly increasing value of land and the active markets for land in practically all agricultural sections. It does not belong to the period after 1930 as the complete collapse of the agricultural commodity price structure was no respecter of persons, and has hit the best farmer in the best section just as hard, if not harder, than the farmer in the marginal area.

It belongs to that decade, also, because that was the period of great expansion in farm loan investment. By this I do not mean to say that all of the investments or in some areas even the larger proportion of the investment in what I shall classify as marginal

or semi-marginal areas, were made during this period. In a number of these areas, the insurance companies had had perfectly satisfactory records with their farm loans for twenty-five years prior to 1920.

In any discussion of marginal lands and their relation to farm mortgage lending, we must first seek for a definition of "marginal." It is a relative term, both as to time and to price level. In 1919 and 1920 dry wheat lands in Idaho and Montana were not marginal. In 1932 it might be said that even Iowa and central Illinois are marginal. Parts of New England have become marginal, and yet under certain conditions it is conceivable that they could at some time in the future be eliminated from the marginal column and considered as satisfactory farm areas. Soil depletion can make a good farm section marginal, and such changes as soil rebuilding, drainage, or the development of new profitable crops can make marginal lands profitable again. For convenience, I presume that it will be proper to define marginal land as that land which cannot, over a long period, by the use of ordinary care and management, provide an owner-occupant with an adequate standard of living. In the detailed discussion that follows, I should prefer to refer to areas not as "marginal" or "semi-marginal," but as areas where farm mortgage troubles have been at a high rate or very high rate. I do this because frequently the cause of the trouble is not so much a matter of soil, climate, drainage, or noxious weeds, as it is the result of doubtful loaning practices or errors of judgment which caused lenders to credit to a particular area a land value which farm earnings could not warrant.

Of course, the great volume of the farm mortgage investments of the insurance companies are in the very best agricultural sections. These were the sections where mortgages were easiest to secure in the volume desired by the companies. This great volume continued in good shape with no real problem of foreclosures and delinquencies until after 1930. The areas which I shall mention which are concentrated trouble areas, are almost without exception areas where the volume of business was comparatively small, and the loan per acre only a fraction of the per acre level prevailing in the corn belt.

Northwestern Dry Wheat Area

This area includes all of western North Dakota, Montana, the dry benches of the Snake River Valley in Idaho and minor neigh-

boring sections. Most of it was not broken up from ranch land into farm land until the war period, when for a few years the section was so prosperous as to have all the aspects of a real boom. The high price of wheat of that period, combined with a few exceptionally good weather years, made large parts of the area appear to be stable and satisfactory for a modest amount of loans at small amounts per acre. The collapse of the wheat price, together with grasshoppers, dry years, and in some places soil depletion, caused the wholesale failure of banks and a general abandonment of large sections of this country. From a percentage standpoint, the foreclosures in this area have been higher than in any other. From a volume standpoint, however, the problem is not a large one. The prospects for future recovery in this area are not favorable. Certain areas in North Dakota, particularly Bottineau County and other counties contiguous to the Canadian Border, certain parts of Montana particularly the Judith Basin country and the Gallatin Valley and the dry benches in the upper Snake River Valley in Idaho will continue to be satisfactory wheat-raising areas in any period of normal prices. A large part of the land which was broken up during the war period probably will never be broken up for farming again in our lifetime; other parts will go back to farming periodically during times of fairly high wheat prices.

Georgia and South Carolina

The second largest trouble area in extent, and one of the largest in volume of dollars affected, is Georgia and South Carolina. The trouble in this area was due probably more to the boll-weevil than to soil depletion or any other single cause. Lands in Texas, Mississippi, Louisiana and Arkansas had had their experience with boll-weevil far enough back to have their values adjusted to the reduced earning power resulting from boll-weevil infestation. Most of the loans in Georgia and South Carolina were made immediately prior to or during the first few years of the boll-weevil infestation in those States. They were made on values warranted by cotton production under pre-boll-weevil conditions. The downward adjustment made necessary by the boll-weevil caused wholesale delinquencies and foreclosures nearly ten years ago. The soil depletion which occurred particularly in the Piedmont sections of South Carolina and Georgia has been due not only to the many decades of cropping, but to the neglect which resulted from the financial collapse which occurred immediately

following the advent of the boll-weevil into this area. The Coast Plains Area of these states have been as seriously affected by delinquencies and foreclosures as the Piedmont area. Soil depletion is not a very serious problem in the Coast Plains section. As a matter of fact the soil was never very rich, and has always required considerable fertilizing. There are two areas in these states which held up fairly well for a while, due to the development of the light tobacco business. These are the areas around Marlboro County in the northeast corner of South Carolina and around Colquitt County in southern Georgia.

These two states undoubtedly will continue, for the most part, as satisfactory farm areas for the raising of tobacco, peanuts, cotton and other crops, Some change, however, in the ideas of land value may be necessary before they can go ahead, even under a normal price period, on a satisfactory financial basis.

Eastern Oklahoma

This comprises approximately the eastern one-third of Oklahoma, stretching farther west in the southern counties along the Red River than in the northern part. Like the northwest dry wheat area, this is a new country. During the war years and shortly thereafter, it reached the boom stage. A large part of it was a forest rather than a prairie country. For the first few years after the forests were removed, it produced bountiful crops. The soil, however, was soon exhausted, and being very light it eroded very badly. The volume of business in this area is not large. However, the percentage of forclosure on the small volume of business is exceedingly high. It is probable that this area will never show a satisfactory recovery. Soil rebuilding would be particularly difficult.

Southern Indiana and Southern Illinois

This is another area where the investment was comparatively small, but the rate of trouble very high. The country is made up of clay hills, rich bottom land and large more or less flat areas, with a hard pan sub-soil. It is a very spotty country, with some good farms along the river bottoms, but generally inferior farms due to inferior soil. The troubles in this area were not due entirely, however, to soil conditions. They were due partly to the fact that this area adjoined central Indiana and central Illinois which are as good farm areas as any in the country. The high values which were justified in the central parts of these states

influenced values in the nearby country. The result was that the loans made in southern Indiana and southern Illinois were on a much higher value per acre than earnings could possibly warrant.

This section will continue as a farm section of the second or third-grade variety. The soil and topography are such that it never can be made into a first-class farm area, but they are not so poor that this area is ever likely to be considered utterly hopeless.

Western Kentucky

This area is divided into two sections: A rather better section around Hopkinsville, including Christian, Todd and Logan counties, and the poorer, rolling, hilly section, comprising the counties along the Mississippi River. This is a small section, and rather negligible as far as the volume of farm loan investment is concerned. It is interesting in the fact that its collapse financially is due more than anything else to the loss of a market. This area produced a large part of the dark tobacco which before the War found a very satisfactory market in the French, German and Italian tobacco monopolies. Practically all of this tobacco went into export. This market was lost during the War and has never been recovered. Any farm area that has to readjust itself to the raising of a new cash crop usually finds it necessary to go through bankruptcy as part of the process.

The Sugar District of Louisiana

The volume of insurance company farm loans in the sugar district was not large. The individual loans, however, were as large as in any part of the country. Even with the artificial protection of the tariff, this district found that it could not compete with Cuban sugar, and the percentage of trouble with loans made has been very high. A contributing cause to this difficulty was the flood of 1927 which damaged a large part of this area. The soil in the sugar district is inherently rich and bottomless. It is highly probable that this land will return in some other crop to a high earning basis and a satisfactory land value.

The Red River Valley

I am including in the Red River Valley the eastern two tiers of counties in North Dakota and the western two tiers of counties in Minnesota, north of the southern boundary of North Dakota. Most of this country was in what is geologically known as Lake Agassiz. It is rich black soil, mostly very heavy, with very poor natural drainage. The land all looks alike, but varies con-

siderably in natural drainage and heaviness of soil. Ever since it was opened up it has been a great field for absentee land speculation. This extensive absentee ownership led to careless farming which has resulted in such a spread of noxious weeds, as the sow thistle, Canadian thistle and quack grass, that large parts of the valley may be considered marginal purely from the standpoint of weed infestation. The Red River Valley is naturally rich, and has been and is still successfully farmed in a great many localities. I have no doubt that with improvements in methods of weed eradication and methods of farming, adapted to the particular region, it will recover and be able to maintain a satisfactory land value. It is marginal now, but should not continue to be marginal in the future. The insurance companies had a fairly large volume of business in the Red River Valley, especially in the better parts at the southern end and in Grand Forks County, North Dakota.

Northeastern South Dakota

This area includes thirteen counties in the northeast corner of South Dakota, bounded by Brown, Spink and Beadle Counties on the west, and Beadle, Kingsbury and Brookings Counties on the south. This is as pretty a looking section from the point of view of lay of the land, appearance of the soil and farm improvements as almost any section of the United States. It is deceptive, however, as it has the highest record of frequency of droughts of any well developed farm section in the United States. It is a section where year after year crops show excellent promise up until July first, and then in July and August are burned and withered by drought and hot winds. The high land values warranted in southeastern South Dakota and southwestern Minnesota, spread into this area of northeastern South Dakota and raised the level to a point above that warranted by average earnings. It is not a hopeless country, but has not deserved the land values that have been given to it, and with the very high rate of foreclosures will probably have to readjust to some lower level before it can go forward on a satisfactory basis.

The insurance companies loaned fairly heavily in this section; in fact, it has the highest volume of dollars loaned per county of any of the acute trouble areas.

Northern Missouri and Southern Iowa

This area includes all of the counties north of the Missouri River in the eastern half of Missouri, and the southern two tiers

of counties in Iowa as far west as Decatur County. This is a rather spotty territory, with quite an area of fairly flat, hard pan soil in the south-central part, rather broken, hilly country in the eastern part, and rather steeply rolling country in the western and northern parts, which has a good, black, rather thin top soil, and generally a very crumbly clay sub-soil. Practically all of this region should have been left in pasture, and as such, would have been satisfactory for the raising of live stock. Unfortunately, the high land values of Iowa crept down into this country, bringing with them an excessive mortgage loan level. The high burden of debt forced the farmers to abandon long-time live stock programs and plough up their pastures for the purpose of growing cash grain crops. The ultimate result has been rather serious soil depletion, and a very much deflated farm area. The volume of mortgages in this section was fairly large, and the problem of returning the country to its proper use as a live stock area is very difficult with the burden of debt that it is now under. This section is not hopeless, but it will probably take a long time for it to adjust itself satisfactorily.

Southeast Missouri and the Delta Country of Mississippi and Arkansas

Included in this group are all the alluvial flood plain sections of these three states. The oldest and most highly developed, that is the delta section of Mississippi, experienced a very good record up until 1930, in spite of the flood of 1927 and the drought of 1930. The section is entirely dependent on cotton, and is one of the best cotton sections in the country. Its fortunes rise and fall with the price of cotton. The alluvial flood plain in eastern Arkansas is not quite as highly developed as the delta country of Mississippi. It suffered more acutely from both the flood of 1927 and the drought of 1930 than did the Mississippi section. It has had a fairly high rate of foreclosures, but could hardly be classed as marginal land as it is inherently very rich soil, and drainage and levee protection can be had in normal price periods in most parts of the section without excessive expense. Southeast Missouri is quite another problem. This area was carved out of the woods only thirty years ago. An extensive and expensive drainage system was put in, and the section developed as a farm area, chiefly by northern farmers. The raising of cotton came in as a later development and has been practised extensively in only four of the six counties included in the area. The area has the unique

distinction of being well adapted to the raising of the three prime staple crops of this country—wheat, corn and cotton. Farm loans in this section held up very satisfactorily until 1926. Two years of excessive rain followed by a year of excessive drought, combined with rather serious flood damage in 1927 brought on foreclosures by the wholesale, as it was impossible for this section with its very high drainage taxes to withstand three total or partial crop failures. From the standpoint of climate and soil this is an exceptionally rich country. It is probable, however, that it will have difficulty in getting back on a satisfactory going basis unless the drainage taxes are materially reduced. This southeast Missouri section consists of only six counties, so the total investment was not large, but the investment per county by the insurance companies was as high as in the better sections of Kansas or Central Indiana.

North-Central Nebraska

This is a comparatively small area consisting of twelve counties: Boyd, Holt, Garfield, Valley, Sherman, Howard, Greeley, Wheeler, Nance, Boone, Antelope and Knox. This is distinctly a second-grade farm area being partly too sandy, and partly too steeply rolling for the type of farming practiced. This was another case where the high land values warranted in southeastern South Dakota and eastern Nebraska spread into a neighboring section which did not deserve such a high level. The result is an excessive level of mortgage debt. It is a fairly satisfactory farm area for an agriculture based largely on pasturing. The investment of the life insurance companies in some of these counties was rather high, but the inherent difficulties in this section were recognized by most of the companies, and consequently the total volume in the area is not large enough to count very much.

These areas that I have listed are those where the percentage of foreclosures is high. They are not necessarily or inherently marginal territory. A few of them are, but most of them are not. Marginal territories, as a rule, have been scrupulously avoided by the insurance companies as farm loan fields. I think it is evident from the descriptions which I have given that the troubles in a number of these areas are due to distinctly human factors. In many ways this whole problem of farm mortgage delinquencies and foreclosures is more of a human problem than a problem of geography, soil, climate and crops. To the lender a farm is not merely a piece of land with buildings on it, but the land

and the buildings plus the farmer who operates it; and the farm loan is not merely a loan on so many acres with such and such improvements, but it a loan to an individual, with the land and the improvements offered as security. The failure of a farm loan, up until 1930, was due as often, if not more often, to the breakdown of the human factor, due to purely human weaknesses, as it was to a breakdown in the earning possibilities of the land itself. I emphasize this so that you will not attempt to draw too accurate a picture of the agricultural situation from my remarks, but will confine your picture to an aggregate lending experience which, in fact, it is. This human phase of the situation applies not only to the farmer-borrowers, but to the human beings both in the home offices and in the field who were responsible for the making of the loans. Inferior land or marginal, or semi-marginal land, if you prefer to call it that, was, undoubtedly, a contributing cause to trouble in any such area where loans were made. It must be remembered, however, that the real cause of the breakdown frequently was not so much the inferiority of the land as the fact that the values which were given to these inferior lands, in many cases, were not warranted by their earning possibilities. If it had been possible to keep the loan level per acre low enough, it is quite probable that some of these apparently marginal areas might have had a more satisfactory foreclosure experience than some of the better areas.

In order to complete the geographical phase, it seems to me that I should outline briefly those areas in which the insurance companies placed the great volume of their investments. First of all, of course, is that great stretch of the cream of the corn belt in the western two-thirds of Iowa. Adjoining this on the north is the southwest corner of Minnesota; and on the west, the southeast corner of South Dakota and eastern Nebraska, and on the south, the northwest corner of Missouri. The second great area of concentration is in east-central Illinois. Next in importance is the black waxy area of Texas, followed by the winter wheat sections of central and eastern Kansas and central Oklahoma. Following this is the corn belt section of central Indiana and northwestern Ohio. The next section in importance is the Willamette Valley of Oregon, which enjoys one of the most diversified and stable agricultural programs of any part of the country. There are other limited areas of high concentration, such as, the delta country in Mississippi; a small area in southern Texas, made up almost entirely of Nueces and San

Patricio Counties; the Palouse country in eastern Washington; the irrigated sections of Twin Falls County, Idaho; a part of the San Joaquin Valley, around Fresno, California, and such limited areas as the blue grass section of Kentucky, and the blue grass area around Nashville, Tennessee. These were the areas where the loans by the insurance companies ranged from a million dollars up to as high as eight or ten million dollars per county. The only areas that can be classed as both high volume and high percentage of foreclosure are—the southern part of the Red River Valley, northeastern South Dakota, and southeast Missouri.

What I have given you so far is history. All of this geographical phase belongs to the decade 1920-1930. With the collapse of the agricultural commodity price structure in the middle of 1930, the whole farm mortgage problem changed. The general effect of the depression brought about two very sudden changes which occurred almost simultaneously, but had little direct effect one upon the other. One was the collapse of the agricultural commodity price structure, and the other was the lack of funds seeking investments, which caused the complete or almost complete withdrawal of the insurance companies and the land banks from the farm mortgage investment field. I say that these two did not have a direct effect one on the other. They did, however, both contribute to the rapid decline in land values, which is one of the most disturbing situations in the agricultural picture at this time. A severe shrinkage in the farmer's largest investment—his land—threatens his prospect of future security. Most farmers can stand a year of crop failure or a year of no market for his produce; but no market for his produce, combined with no market for his land, makes the farmer feel that he is in a hopeless situation.

I am not going to venture a cure for the situation in which we find ourselves nor a prophecy as to the eventual outcome. The very nature of my position makes it natural for me to look at this problem from the lender's standpoint. Under present conditions, the lender must, and has, adopted a policy of leniency to all worthy owner-occupants who show evidence of a willingness to fulfill their contracts when and if they can. There is nothing for the lender to do but to continue this policy of leniency and a policy of refunding loans of worthy borrowers. In hopeless cases there is nothing to do but to foreclose. To the insurance company this does not mean a hopeless loss, it simply means a

change in its investment from a farm mortgage to a piece of land. The past and present experience of the insurance companies is such that they feel reasonable confidence in their ability to dispose of most of their land holdings in time at a satisfactory figure. The whole work-out, however, is dependent upon an improvement in the agricultural commodity price level. For reasons that should be obvious, such suggested solutions as moratorium, scaling down of principal, and reduction in interest rates, would not be any solution and would only bring further chaos. There is only one solution, and that is, the raising of prices. Any method that may be devised that will bring this about without disrupting still further our entire economic structure, should be given a favorable hearing. Time, undoubtedly, will bring a solution, and the life insurance companies have plenty of time and can wait. I assure you that they are not afraid of the ultimate satisfactory solution of their farm loan difficulties. They have accurate knowledge of the problem that confronts them; they have a sympathetic understanding of the borrower's difficulties; they are well organized in the field for the handling of individual cases.

Farm mortgage delinquencies and foreclosures are not new problems for those life insurance companies which have long been investors in this type of security. I have seen no records back of the depression of 1873 to 1878. Records for that period are rather meager, but they do show more or less wholesale delinquencies and foreclosures which resulted in heavy acquisitions of land. There is little doubt but that some of the executives of the insurance companies of that time seriously doubted whether farm land values would ever come back to the level reached at the time the mortgages were made. Such records as are available, however, show that the real estate acquired by the insurance companies during that period was disposed of in a comparatively short time, and at a profit to the companies. The general economic and financial situation from 1873 to 1878 was probably worse than it is today.

The records for the depression of 1893 are still rather incomplete but more complete than those of the previous period. The experience of the life insurance companies during the '93 depression apparently was not quite as bad as during the depression of 1873 to 1878. However, farm mortgage delinquencies and foreclosures were a very serious problem and in certain areas they occurred in wholesale proportions. Again, there is no doubt but that some of the financial officials of the life insurance companies

seriously doubted whether land values would again attain the level prevailing at the time the loans were made and whether they would ever be able to dispose of their farm real estate on a satisfactory basis. Again the life insurance companies in a comparatively few years disposed of their farm real estate and again showed a slight profit.

I cite these two examples of past history for two reasons: one, to show the basis for the confidence in the farm mortgage as an investment for life insurance companies which has existed during the past decade; and the other, to allow us to stop for a moment and see whether there is any basic reason why the same satisfactory result should not occur from the present depression that occurred in past depressions. I realize fully that the loans per acre are higher and the circumstances in many other ways are different. I wonder, however, whether they are sufficiently different to give credence to the prophets of complete and irretrievable collapse.

ELEMENTS CONTRIBUTING TO FARM-MORTGAGE DEBT DISTRESS[1]

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The acuteness of the present mortgage-delinquent farm real estate problem has focused attention on both its immediate and long-term aspects. At present the issue is how to make the best of a bad situation in which lending agencies are acquiring farms they do not want and farmer-borrowers are losing farms they want to keep. From the long run viewpoint it is a question of trying to prevent the recurrence of such difficulties, or to reduce their severity.

The basic factors which produce distress in long-term loans require examination against a long-term background. The discouraging disparity between present low current income and high current payment requirements of many indebted farms should not obscure the fact that this debt delinquency problem has grown mainly out of the long period of rising prices and land values before 1920 and the subsequent decline in those values. By 1914 farm land values reached a new high level and were yielding scarcely more than half the rate of return in 1900. Upon this level was superimposed a 70 per cent increase for the country and more than 100 per cent increase in important agricultural areas of the West and South. These high land values declined only slowly after 1920 and even in 1926 were 25 per cent above pre-war levels. All lending agencies participated in the expansion of capital loans. There was a tendency to accept the prevailing price of land as a legitimate basis for credit. The average size of loans rose and fell with the index of land values. Farm owners trebled the amount of their capital borrowings, most of the increase taking the form of larger loans on the same farms.

When the tidal flow of new capital into agriculture was checked and the balance of capital payments turned against agriculture there was disclosed an increasing number of farms whose obligations could not be met without liquidation of the security. Often current returns from the farm were inadequate to meet payments, the debt could not be shifted, and the community's financial resources could not advance the amount of debt service. Taken altogether the undesirable consequences to both lenders

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and borrowers that have resulted from this situation warrant attention to some of the factors that have contributed to producing the present difficulties and which may be subject to control and improvement in the future.

I.

In undertaking to meet the immediate problem of caring for the distressed cases which now appear among indebted farms, there has been frequent recourse to the principle of adjusting payments to the farm's capacity to pay, in view of the obvious necessity of recognizing the limitations imposed by the farm's yearly production. In many of the instances in which both creditors and debtors have desired to preserve the credit relation by an arrangement on an earnings basis, they have been prevented from doing so by previously existing legal contractual limitations. They have found that the farmer's crop was already pledged to creditors who had extended credit subsequent to the date of the mortgage on the land. The means for meeting the service on the primary obligation had been used for another purpose. Very often a conflict of creditors over claim to the income precipitates foreclosure. In such cases the total volume of debt and the failure to protect the mortgage holder results in defeat of the original purpose of both lender and borrower.

If the loan is made as an advance of credit and not for the purpose of acquiring the security, some arrangement would be desirable whereby this fundamental purpose could be carried out at least when both parties to the contract desired to do so. This raises the question whether a mortgage on land should not also extend to a first claim for interest upon the income from the land.

We have here an instance in which the law does not render the maximum aid to economics. We seem to lack legal provision which deals with values in process of formation and not simply with capital values. Valuation theory for investment purposes is based upon income assignable to capital capitalized at long-term interest rates. The value of the security depends upon the recurrent receipt of income. Diversion of the income tends to destroy the value of the property and all loans based upon it, unless the right of foreclosure and possession is exercised.

Viewed from this standpoint, the man who mortgages his land and later mortgages his crop or other income from the land in effect borrows twice on the same security. Not only does he

pledge to another the income on which the first loan was based, but the resulting increase in his total liabilities and burden of payment reduces his capacity to meet all of his obligations.

This question acquires particular importance during periods such as the present when for many loan transactions the whole theater of financial operations involving valuation and credit extension is pushed back into the marginal field in which the income from the property becomes the basis of action.

The assurance of the receipt of current income such as that represented by a share of the crop, including knowledge that such income will not be subject to lien or confiscation by other creditors, whether or not such payments represent the full amount due in the particular year, is a valuable consideration to lending agencies, particularly to those who are dependent upon a continuous stream of income for the maintenance of solvency and the continuous capacity to function. The borrower, on the other hand, values highly the factor of security of title to his property and possession of his home. It should be possible to so frame loan contracts as to provide greater continuity of payment to the creditor in return for greater security for the debtor to the mutual advantage of both parties. Such an arrangement would carry more of common value than many legal provisions now in effect involving arbitrary exemptions and periods of redemption. Loan contracts designed to achieve this end might properly be supported by laws of the proper jurisdictions.

We are suffering in part at the present time from too much inflexibility of our loaning arrangements. Despite the well-established fact that income from agriculture is subject to wide fluctuations and occasionally to violent interruption for one or more years, the typical loan contract makes no recognition of these fortuitous factors. Past practice has been that of waiting until an emergency was upon us before considering adaptation to conditions. In many cases remedial action has not then been possible. The entire income from the property has been mortgaged to others or has been levied upon by other creditors, and only the creditor has any election in disposing of the case. It should involve no great hardship for either party if the debtor could elect payment of a crop share for a specified period in preference to delinquency and foreclosure.

II.

From the long-term viewpoint, the question arises as to whether or not the experience of the last boom and this depression

taken in connection with previous booms and depressions will enable us to avoid in some degree a repetition of the undesirable experiences that we are now having. Not only should both borrower and lender be able to survive their credit experience during these economic collapses, but it should also be possible to learn from the experience how to minimize losses and how to conserve values. During the last boom, however, comparatively little attention was given to the question of avoiding its possibly undesirable consequences, although there had been periods of high prices followed by disastrous depressions before. Perhaps then the depths of depression offer the best position to reflect upon the question of credit policy in future booms.

In the light of the experience of past farm real estate booms and their ensuing depressions, the burden of proof is upon those who would hold that we shall not have again periods of high and of low prices. The present low prices are no lower than they have been before, and not substantially lower than at other times during the last three major depressions. It would seem, therefore, that more recognition should be accorded the possibility of such contingencies when borrowers and lenders are arranging loans. To date, borrowers and lenders have not profited greatly from these previous booms and depressions. The lending agencies with continuous series of records are better prepared to profit from cumulative experience than are most individuals. Certainly farmers have learned very imperfectly from such past experience if the present amount of foreclosure and delinquency is taken as an indicator.

The most common cause of difficulty in long-term loan policy has been a failure to recognize the position of the price level. Granting the difficulty of controlling or predicting price level changes, it would seem that in borrowing and lending we might endeavor to recognize high price levels by comparison with average prices for the previous 50 or 100 years. A few important features of past experience are of assistance in this connection. In the past the periods of high prices have continued for comparatively short terms of years. After rising to a peak, prices have declined sharply for a brief period and more gradually over a long term of years. In contrast, the time required to pay off or reduce substantially the average farm mortgage loan represents a long period of time, averaging 25 or 30 years. These characteristics seem to have become fairly well established if past experience is a guide. If these facts can be assumed as probable for the

future, the most important consideration in making a long-term loan is the probable price level during the period of ten or twenty years in the future. This outlook should aid in determining, first the amount of credit contracted for and, second, the method of payment to be used in retiring the principal of the loan. Loans made during periods of high prices would require larger payments on principal during the early part of their terms. There should be frank recognition by both lenders and borrowers that loans for five years and other short terms bear little relation to the actual length of life of the debt they represent and that such loans in all probability will require several renewals; that the lending agency that extends the credit during high prices likely will have the task of collecting it years later; that when that time arrives the lender will find his success in collection measured by the accuracy with which he has calculated the farmer's ability to pay. In other words, it will be found, as is the case often today, that the best interest of both borrower and lender is represented by a common limit beyond which is mutual defeat of purpose.

Most of the loans extended on farm land security between 1914 and 1925 were straight term advances payable in full at the end of the term. Plans of payment remained essentially unchanged. The preponderance of experience has shown that if most large farm loans are to be repaid or reduced substantially, payments on the principal must be made from income at the time that the borrower receives it. During the last few years, there has been a pronounced swing toward requiring annual reductions of the principal. But for a large number of loans the change came about 10 years late. To some extent it may be possible to accomplish now by flexible payments adjusted to accord with fluctuations in income, what might better have been done by payments on principal at an earlier period. Even amortization loans of the land banks, designed to avoid renewals by gradual retirement of principal, have required such small annual applications on the debt that the subsequent downward sweep of land values far outdistanced the reduction of the unpaid principal of the loan. The number of amortization loans that are now in difficulty indicates that the normal payments required on the average long-term loan of this type are totally inadequate to keep a loan in good condition and to protect the borrower against delinquency and loss of property unless more recognition is given to the price level at the time that the loan is made. Despite the theory that amounts payable on principal should increase with successive years as

earnings increase with the growing maturity of the enterprise, we have seen that the changes in price level may far outweigh the factor of changes in productive power.

The laws now found on many of our statute books and the provisions under which a large proportion of our loan contracts are written are responsible in part for the past tendency to consider each year approximately as satisfactory as any other in determining values as a basis for loans. These legal provisions typically authorize loans of a fixed percentage of current value without regard to price level. Events have shown that such provisions do not accord with the necessities of the case. Loan and collection policy, based on such implied assumption, though less reprehensible for short-term credit, clearly is not appropriate for long-term credit requiring 20 or 30 years for payment.

One consequence of a requirement for substantial payments during periods of high prices should be the restraint of inflationary movements since one of the most effective ways in which to prevent an excessive use of credit is that of requiring the borrower to make payments on the loans previously obtained. It will be noted that this practice would be directly counter to the tendency during the years following 1915.

Rising prices and speculation contributed mainly to this rise in land values, but if, as declared by first-mortgage lending agencies, the shortage of farm mortgage credit during the last two or three years has contributed to the decline in land values, may it not be true also that abundance of credit for transfers and other capital purposes stimulated the rise of land prices toward higher levels on the basis of which much of the present heavy encumbrance was incurred? The experience of the past 20 years again has proved that inflation is especially dangerous for agriculture because of the crystallization of its results into real estate values which constitute from 80 to 85 per cent of the farmers' wealth. It seems probable that any improvement in the constancy of the availability of real estate credit should promote stability of farm values.

The discussion of this subject clearly raises the question of determining the capital requirements of agriculture. During the years of rapidly increasing capital credits in agriculture, the supply of new funds moved in response to immediate demand and not in proportion to the long time requirements of the industry. It is clear now that much of this new capital that flowed into agriculture within a few years was not needed to develop or

sustain the output of the industry. Is it not in order to ask whether in the future the flow of credit may not bear a closer relation to productivity needs? Will we in future be able to distinguish between inflationary demands and production requirements of credit? Will lending agencies again increase their farm-mortgage holdings until they double the proportion of their assets extended as capital credits to an industry whose products are characterized by inelasticity of demand? The present distress from excessive borrowings is evidence that the maintenance of a closer relation between capital and long-term production requirements is a condition that can best be controlled when the loans are made.

OUTLOOK FOR FARM MORTGAGE DEBT AND PLANS FOR HANDLING IT[1]

F. F. Hill

Cornell University

According to the United States Department of Agriculture, the index number of farm prices in the United States in 1920 was 205 when farm prices during the five pre-war years are assumed to equal 100. After the recovery from the precipitous drop in 1921 the index number of farm prices fluctuated between 131 and 147 until 1930 when it dropped to 117. In 1931 it declined to 80 and in November of 1932 it stood at 54. The greater part of the present farm mortgage debt was contracted at a time when farm prices were 30 per cent or more above pre-war. Farmers are finding it difficult, and in a large number of cases impossible, to pay debts contracted at a price level of 130 or higher with products which must be sold at a price level of less than 60. These are facts with which you are all familiar. They are mentioned only in order to emphasize the obvious fact that a substantial increase in farm prices would go far toward solving the farm debt problem.

The farm debt problem would not be serious if prices were to return to the levels of the period 1922-1929. Many persons who are close to the debt situation believe that the majority of first mortgages could be paid off even on the basis of pre-war prices. Not only would an increase in farm prices solve the problem, but it would solve it with the minimum amount of individual suffering and inconvenience and with the minimum amount of social disturbance.

In view of the effect which an increase in farm prices would have in changing the whole complexion of the present farm debt problem, it might seem that a paper entitled "Outlook for Farm Mortgage Debt and Plans for Handling It" should devote considerable attention to the various plans which have been proposed for raising the general price level or for increasing the prices of individual farm products. However, these subjects have been omitted from the present discussion for two reasons: First, they are to be discussed at other sessions of these meetings by persons who are much better qualified to deal with them than I am. Secondly, it would appear that we are committed at the present time to a policy of deflation accompanied by a policy of attempting to hold up the prices of this or that commodity by

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[1] This paper was read at a joint meeting of the American Farm Economic Association and the American Economic Association, Cincinnati, Ohio, December 28, 1932.

means of farm boards, domestic allotments, tariffs, bounties, gentlemen's agreements and so forth. The major part of this paper will be devoted, therefore, to a discussion of plans for handling the farm mortgage debt situation on the assumption that we can go through with a program of deflation and that we intend to do so. It is not entirely clear that we can go through with deflation. That we intend to try it seems somewhat clearer. In any case we have already reached the point where we have a very grave farm debt situation which must be dealt with.

Factors to Consider in Developing Plans to Handle the Farm Debt Situation

In attempting to develop a plan for handling the farm mortgage debt situation it would seem that at least the following factors should be taken into consideration:

1. If prices are eventually stabilized materially below the level at which the major portion of the present farm mortgage debt was contracted, a part of that debt can never be paid. Sooner or later it must be written off. We can choose when it shall be written off, how it shall be written off, and how the inevitable losses shall be shared between debtor, creditor, and taxpayer. Beyond that we cannot go. Our problem is to bring about as orderly a liquidation as may be possible and to keep losses at a minimum.

2. In developing a plan for dealing with the farm mortgage debt situation, it should be recognized that there is not one farm mortgage situation but over two million farm mortgage situations, that is, one for every mortgaged farm in the United States. Anyone who has had any experience in dealing with distressed farm mortgage loans knows that no two cases are exactly alike. In view of this fact, it would appear that if the aggregate losses arising out of the forced liquidation of farm mortgage indebtedness are to be held to a minimum, each case must be handled individually. Blanket remedies will result in increased aggregate losses.

3. It is estimated that land banks, insurance companies and commercial banks hold over 50 per cent of the farm mortgage debt of the United States. These agencies are in the business of lending other people's money. Plans which work satisfactorily for handling a debt problem between individuals are often difficult or impossible to apply when the holder of the mortgage is in the position of a trustee of other people's money.

4. A certain percentage of individual lenders are not in a financial position to grant an extension of time to their debtors, even though they realize that in the long run it would be to their best interests to do so. There is also, no doubt, a small class of lenders who are out to capitalize on other people's misfortunes if they see a chance for gain. A comprehensive plan for handling the farm debt situation must provide a basis for dealing with these two classes of creditors.

5. It would appear desirable to avoid, if possible, plans for handling the farm debt situation which will place the Federal Government in a position where it will be forced to continue to lend money to farmers at a heavy loss after the present emergency has passed.

6. Any plan which is adopted for handling the present emergency should not weaken the reputation that the farm mortgage has had as one of the safest and most desirable forms of investment. If it should do so, future generations of farmers will be forced to pay higher rates of interest for the money which they borrow if they borrow in the open market.

7. If public funds are used in the present farm mortgage emergency they should be lent to distressed farmers and not to distressed lending agencies. Loans to distressed lending agencies are more likely to relieve the stockholders or bondholders of such agencies than to relieve farmers who are being pressed by their creditors. In any case the Reconstruction Finance Corporation was set up to aid distressed business concerns.

8. In a period of rising prices, farm prices rise faster than the prices of commodities which farmers buy. In a period of falling prices, farm prices fall faster than the prices of commodities which farmers buy. It would seem reasonable to assume that if commodity prices are stabilized at their present levels, farm prices might be expected to rise relative to the prices of products which the farmer must buy. If this assumption is correct, then a certain percentage of farmers who cannot meet their obligations at the present time will be in a position to do so in the future. To foreclose and sell them out at the present time would be an injustice to the farmer and in most cases, poor business from the standpoint of the mortgage holder. Good farmers on good farms who, as far as can be seen at the present time, have at least a reasonable chance of meeting their obligations if prices return to anything like their pre-war relationships should be given every opportunity to hold their farms.

Proposals for Handling the Farm Mortgage Debt Problem

Moratorium.—It has been suggested in some quarters, and a demand has arisen in others, that a moratorium be declared on farm debts. It would appear that the strongest argument in support of a moratorium is based on the probability that if commodity prices are eventually stabilized at the present level, farm prices will rise relative to the prices of commodities which farmers buy. A moratorium would prevent a forced liquidation at the present ruinously low levels, and allow time for adjustments in the price structure to take place.

However, other results of a moratorium would probably far more than offset this advantage. It is estimated that more than 50 per cent of the farm mortgage debt is held by insurance companies, land banks and commercial banks. These agencies have obligations to policyholders, bondholders and depositors. They cannot meet these obligations if a large percentage of borrowers fail to pay the interest and principal installments on their loans.

If a policy of deflation is continued, there will undoubtedly be a heavy liquidation of city real estate. There would seem to be no logical reason why the city home owner is not as much entitled to a moratorium as the farmer, if and when he finds himself in a position where it is impossible for him to meet his obligations. With a moratorium on mortgages on farm real estate and city homes, it would be necessary to declare a moratorium on claims against insurance companies, interest and bond redemption payments of land banks, and on savings bank deposits. Everybody would owe everybody else and nobody would pay anything.

If farmers should demand and succeed in having a moratorium put into effect, the confidence of the investor in the farm mortgage as a safe and conservative investment would be severely shaken. It seems highly probable that in the long run a moratorium would result in the withdrawal of a large volume of funds from the farm mortgage investment field. This withdrawal would eventually mean higher credit costs to farmers. Approximately 60 per cent of the farms in the United States were free of mortgage debt in 1928, and a considerable proportion of the present farm mortgage debt will be paid in full with the credit standing of the borrowers left unimpaired. As a method of providing relief for less than 40 per cent of the farmers, a moratorium would probably raise the cost of credit to all farmers.

Even as a means of providing relief for farmers whose farms are mortgaged and who are in difficulty, the moratorium has the

disadvantage of attempting to apply a blanket remedy to a situation which, to be handled efficiently, must be handled on a case basis.

Government Refinancing at a Low Interest Rate.—It has been proposed that the Federal Government refinance farm mortgages on a long-term, low interest rate basis. One plan suggests long term financing at 1.5 per cent. Another plan suggests 3.5 per cent. Such plans are open to all of the objections of a moratorium in that they attempt to apply a blanket treatment to a situation which, to be handled efficiently, must be handled on a case basis.

It is also evident that a reduction in interest rates will not solve the whole of the present difficulty. It is granted that a certain percentage of farmers who would otherwise lose their farms would be able to hold them if interest rates were reduced materially. However, it seems probable that the percentage of farm mortgagors who would require no other aid is relatively small in proportion to the total.

The effect that a material reduction in interest rates would have on land values and on competition between farmers in different situations is interesting, but time does not permit discussing this phase of the problem.

The most serious objection to any plan for refinancing farm mortgages at a low rate of interest is that it would place the Federal Government permanently in the farm mortgage business to the exclusion of all other agencies, and on a basis where there would be a large annual deficit on lending operations. This annual deficit would have to be met by increased taxes. The average yield rate on liberty and treasury bonds during the past ten years has been approximately 3.75 per cent. Assuming that the Government were to borrow money at 3.75 per cent to refinance farm mortgages at a rate of 3.50 per cent, the annual loss in interest would be equal to one quarter of one per cent of the amount loaned. It is probable that at least an additional one per cent would be required to cover operating costs and to absorb losses. This is the operating margin allowed federal land banks at the present time and it is obviously none too large. On the basis of these assumptions and on the further assumption that the total farm mortgage debt of 9 billion dollars were refinanced at 3.5 per cent the annual loss to be met by increased taxes would be approximately $110,000,000. If the farm mortgage debt were refinanced at 1.5 per cent, the annual loss on lending operations, which would have to be met by increased taxes would be nearly $300,000,000.

Writing down Mortgage Debts.—It has been suggested that in many cases it would be to the advantage of creditors as well as debtors if creditors would voluntarily write down mortgage debts. If one individual lends money to another individual on farm mortgage security, and if, because of a falling price level, the borrower cannot pay, then the simplest way out of the difficulty, assuming that the creditor does not want the farm, is for the lender voluntarily to write down the debt. However, if land banks, insurance companies, and savings banks are to write down mortgage loans to any considerable extent, land bank bonds, insurance claims, and savings bank deposits must be written down accordingly.

Settlement under Crop Payment Plans.—In many parts of the West, farms are frequently sold on the so-called crop payment plan. Under this plan, the yearly installment which the buyer pays the seller consists of a certain share of the crop or of the money equivalent of such a share. His ability to make payments is, within limits, independent of the weather and the price level. It has been suggested that in the present emergency, lenders might agree to accept payments on a somewhat similar basis.

If, in an emergency such as the present, the lender is able and willing to forego or postpone a part of the payments due him, the crop payment plan offers an excellent basis of settlement. It provides a means whereby the farmer continues to pay something. This is important from the creditors standpoint. On the other hand the farmer is not forced to attempt the impossible, namely, to pay beyond his ability. If the lender is willing to scale down payments he might possibly agree to accept a share of the crop or a certain percentage of the milk check in lieu of the payments called for under the contract. If he is willing to postpone payment in full, but is unwilling to scale down the payments due him, he might agree to accept a share of the crop or a certain percentage of the milk check as partial payment on installments coming due during the period covered by the emergency contract and permit the borrower to pay the remainder of such installments after the balance of the loan has been paid in full.

It would seem highly desirable, if not essential in the majority of cases, where a part or all of the payments falling due during the emergency are postponed, that they be postponed until after the remainder of the loan has been paid in full or at least until the purchasing power of farm products has reached an agreed upon level. To amortize past due payments over the next few years will add to the farmer's difficulty in getting on his feet

again unless there is a very sharp increase in the purchasing power of farm products. It is recognized of course, that each case must be worked out in view of the circumstances surrounding it.

While the crop payment plan offers an excellent basis of settlement where the borrower appears to have a reasonable chance of eventually meeting his obligations and where the lender is able and willing to carry him through the emergency, it seems doubtful if it would be desirable to apply it as a blanket remedy. Like all such remedies, it would merely postpone the day of reckoning for farmers who are hopelessly involved in debt. Furthermore, certain debtors would be relieved of the necessity of paying to the limit of their ability. While there is no justice in forcing a farmer to return two bushels of wheat for every bushel borrowed, it would seem necessary, if a policy of deflation is to be continued, that every debtor pay to the limit of his ability in order to reduce to a minimum the wreckage of deflation.

What Can Be Done About the Present Farm Mortgage Debt Situation?

Any plan for dealing with the present farm mortgage debt situation should, first of all, give the good farmer on a good farm, who is not hopelessly loaded down with debt, and who is making every possible effort to meet his obligations, a chance to save his home. Every effort should be made to do this without wrecking our present credit machinery and without driving large numbers of investors permanently out of the field of farm mortgage investment.

The plan should be such that it will aid to the greatest possible extent in bringing about an orderly liquidation if prices are eventually stabilized at a level materially below that at which the major portion of the farm mortgage debt was contracted.

The plan should provide for settling every case on an individual basis and in the light of the circumstances surrounding it.

In line with the above considerations the following suggestions are offered:

1. Strengthen the capital structure of the federal land banks by a permanent increase in government owned capital stock. Provide a more flexible operating margin for these banks. Place the responsibility for their actual administration more directly on the officers and directors of the individual banks.

2. Turn the joint-stock land banks over to the federal land banks for liquidation.

3. Set up, out of funds in the federal treasury, an emergency loan fund to be administered by the federal land banks. Mortgages held by lending agencies other than the federal land banks would be refinanced on the following basis, in cases where the holders of such mortgages were unable or unwilling to carry the borrower through the present emergency:

A. Loans would be limited to good farmers on good farms, who appear to have a reasonable chance of meeting their obligations eventually.

B. A first mortgage would be made for a conservative amount from funds obtained in the ordinary way by the sale of farm loan bonds.

C. A second mortgage would be made from the emergency loan fund for the difference between the amount considered a fair business risk and the amount of the first mortgage.

4. Set up a debt conciliatory commission in each county in the United States. The function of such conciliatory commissions would be to endeavor to bring about mutually acceptable arrangements for the settlement of the borrower's indebtedness without recourse being had to legal proceedings.

Let us examine briefly each of the foregoing proposals:

1. *The Federal Land Banks.*—As long as the price level remained fairly stable with relation to the level at which loans were made, the federal land banks functioned fairly satisfactorily even though their operating margin was narrow and inflexible and their capital structure weak. They were not in a position, however, to carry any considerable number of borrowers through an emergency even though it were an advantage to do so. The only way in which the banks could meet their obligations to the bondholders was by collecting from their borrowers. When conditions became such that a large number of borrowers could not pay the installments on their loans and land values declined to a point where the sale of foreclosed properties resulted in heavy losses, the situation became impossible. Something had to be done and the Federal Government subscribed to additional capital stock in the federal land banks.

If the federal land banks are to be able to carry through emergencies good farmers on good farms who appear to have a reasonable chance of eventually meeting their obligations, the capital structure of the banks must be strengthened permanently. Apparently the only way to accomplish this is for the Federal Government to subscribe to additional capital stock so that the ratio of capital stock to outstanding bonds will be permanently raised.

In addition to a stronger capital structure, a greater decentralization of the federal land bank system would appear to be de-

sirable, with administrative responsibility placed more squarely upon the officers and directors of the individual banks. This might be accomplished as follows:

A. Make the Federal Farm Loan Board a policy-determining board set up to function as a board of directors rather than as a purely administrative body. This board should include at least one director from each of the federal land bank districts.[2]

B. Place the administration of the Farm Loan Bureau in the hands of three executive officers to be known as farm loan commissioners. These commissioners would be directly responsible to the Farm Loan Board as reorganized.

C. Place the responsibility for the actual administration of the federal land banks directly on the officers and directors of the individual banks. Within the limits of the law, the individual banks should determine their own lending policies. They should certainly be responsible for hiring their appraisal staffs. To this end it is suggested that the functions of the Farm Loan Bureau be limited principally to the following:

(a) Making periodical examinations of federal land banks and national farm loan associations and reporting the results of such examinations to the Farm Loan Board.

(b) Passing on the eligibility of mortgage loans submitted by the federal land banks as collateral for farm loan bonds.

In addition to decentralizing the federal land bank system it would seem desirable to make certain changes in the provisions of the Farm Loan Act relating to the operating margin allowed the federal land banks. The present provisions of the Farm Loan Act make the operating margins of the federal land banks fluctuate with changes in the money market and in the rate of repayment of land bank loans, without regard to the needs of the banks. The determination of loan rates might well be left to the officers and boards of directors of the individual federal land banks, subject to review by the Farm Loan Board as reorganized. The present six per cent limit on interest rates to borrowers might possibly be retained, although there are a number of strong arguments against an arbitrary limit of any sort.

2. *The Joint Stock Land Banks.*—There has been a great deal of discussion and much sharp criticism of the joint stock land banks. The decline in the market value of joint stock land bank bonds has been such as to make it to the financial advantage

[2] While this paper is primarily concerned with farm mortgage credit it is suggested that all of the credit agencies sponsored by the Federal Government might well be placed under the control of the reorganized Farm Loan Board.

of many of these banks to foreclose mortgages and sell farms in a demoralized real estate market even at greatly reduced prices. If bonds can be bought for cancellation at 30 or 40, it is a profitable business to foreclose and sell farms if they can be sold for as much as one-half the amount of the mortgage. Whether or not the policy of foreclosing farms and buying bonds for cancellation has been deliberately followed by joint stock land banks, it has been possible in a great many cases to make a profit out of such transactions. Such a situation should be remedied. It probably would be best for everybody concerned if the federal land banks were to take over the joint stock land banks and liquidate them. Only 846 loans were made by these banks in 1931, or an average of 17 loans for each of the 49 banks in operation on December 31, 1931. When it is considered that a substantial proportion of these loans were purchase money mortgages made in connection with the sale of real estate acquired by foreclosure, and that the figures given also include loans acquired by purchase from other joint stock land banks, it is evident that the joint stock land banks, considered as a whole, have ceased to function.

3. *Emergency Loan Fund.*—Good farmers on good farms who appear to have a reasonable chance of meeting their obligations if prices return to anything like their pre-war relationships should be given an opportunity to hold their farms. The mortgages of a considerable number of these farmers are no doubt held by individuals or lending agencies who are either unable or unwilling to grant an extension of time. It is recognized that in a certain percentage of cases the amount which would be required to meet the farmer's present obligations is larger than the amount which would be considered a conservative first mortgage. However, many of these mortgages are of the type which would be carried by insurance companies or federal land banks if they were already on their books. Under the suggested plan it is proposed that the federal land banks refinance such mortgages, making a first mortgage loan on what would be considered a conservative basis for this class of loan and making a second mortgage loan for the balance. The first mortgage loan would be made from funds obtained in the usual way, namely, by the sale of bonds to the investing public. The second mortgage loan would be made from the emergency loan fund set up by the Federal Government for that purpose.

It is emphasized that the administration of the emergency loan fund must be on a purely business basis. If a farmer is hopelessly

involved in debt or if he is on a farm which appears likely to remain below the margin of profitable production for a good many years to come, there is nothing to be gained by lending him more money in an attempt to carry him through the present emergency. It is not a temporary emergency as far as he is concerned but a permanent situation. Considering the interests of everyone, including the farmer, foreclosure and resale apparently offer the best way out. It is not doing a man a favor to lend him more money than he can possibly pay off during the remainder of his lifetime.

Farm relief beyond that which can be justified on a business basis should be furnished by some one of the numerous welfare agencies in the country and not by the federal land banks.

The emergency loan fund should not be used as a convenient fund from which to refinance the poor loans of private investors in farm mortgages. This danger can be overcome by conservative administration.

One of the most serious objections to the foregoing proposal is that the farmer may come to associate the federal land banks with the granting of emergency credit from Government funds. This would no doubt lead to a certain amount of administrative difficulty later on. However, there would appear to be no other practical way to administer an emergency loan fund. Anyone who is familiar with farm credit knows that it is impossible to set up an organization in a day which can administer a large credit fund efficiently. The federal land banks already have the necessary machinery and are probably in a better position than any other agency to administer such a fund.

4. *Debt Conciliatory Commissions.*—It would appear desirable to set up a debt conciliatory commission in each county in the United States. Such a commission should be composed of citizens of standing in the community whose ability, integrity and honesty are above question. There should probably be a central commission in each state composed of persons with considerable actual experience in dealing with farmers and farm credit. It would be the function of the central commission to advise and counsel the county commissions. Needless to say, the entire system should be completely divorced from the realm of politics.

It would be the function of the county commissions, upon application by a farmer or any one of his creditors, to call together the debtor and his creditors with a view to bringing about a mutually acceptable arrangement for the settlement of the farmer's indebtedness without recourse to legal proceedings. Credi-

tors, dissatisfied with the commission's recommendations would, of course, still have recourse to time consuming and costly legal procedure. It is probable, however, that a great many cases could be settled by the commission at a fraction of the cost which would be incurred under the present system of every creditor for himself.

Summary of Suggested Plan

The foregoing proposals, while subject to objections, would appear to comply, in part at least, with the following requirements:

1. They provide for as orderly a liquidation as can be expected in a period such as the present.
2. They make provision for handling each case individually.
3. They provide for the refinancing of mortgages in cases when the lender cannot or will not grant an extension of time.
4. They avoid placing the Federal Government in a position where it will be forced to continue to lend money to farmers at a loss after the present emergency has passed.
5. The application of these proposals should not weaken the reputation of the farm mortgage as one of the safest and most desirable forms of investment.
6. They provide for direct relief to distressed farmers and indirect relief to distressed lenders rather than the reverse.
7. They make provision for carrying the good farmer on a good farm through the present emergency providing that he is not hopelessly in debt.

Conclusion

The farm mortgage debt situation has already reached a crisis. Something, whether it be the right thing or the wrong thing, is going to be done about it. If we as economists are going to contribute anything to the solution of the problem we must get down to discussing definite plans and not limit ourselves to vague generalities.

Discussion by Thomas P. Cooper

University of Kentucky

In his excellent and thoughtful paper, Dr. Hill discusses one of the most important problems before the farmers and business interests of our great agricultural regions. At present, the farm debtor and the farm creditor are in the same sack. Strong financial institutions may look forward with patience to the working out of the present situation largely by time. This, however, does not reduce its gravity nor does it ameliorate the present or prospective losses.

The farmer who is deeply, or even what two or three years ago, would

have been considered moderately in debt, cannot be assured of the same processes working him out unless in some manner he may be assured of maintaining possession of his property irrespective of delinquency.

Socially and economically, the foreclosure of the property of the incompetent farmer and his elimination as a landowner may not be of serious consequence except to the individual. However, when the burden of interest and debt payments becomes so great as to threaten the foreclosure of lands of large numbers of substantial landowners, the problem becomes acute.

Large numbers of farmers consider that adjusting the credit machinery of the nation to serve the present needs of the American farmer is the most important step that can be taken to assist the farm situation.

I do not agree with Dr. Hill that we are committed to a policy of complete deflation. As a matter of fact, for more than a year past we have developed a series of gigantic credit plans for the purpose of counteracting deflation. The policy appears to me as one of inflation.

I agree with Dr. Hill that "In developing a plan for dealing with the farm mortgage debt situation, we must recognize that there is not one farm mortgage situation, but over two million farm mortgage situations, that is, one for every mortgaged farm in the United States. Any one who has had any experience in dealing with distressed farm mortgage loans knows that no two cases are exactly alike." I can go a long way, too, with the general thesis developed by Dr. Hill that any plan which is adopted for handling the present farm mortgage problem should provide for handling each mortgage on an individual case basis.

I am not so certain that "blanket remedies will work to increase the aggregate loss," especially if the proposals for handling the farm mortgage debt problem referred to in this paper may be considered as "remedies." Rather I consider the suggested steps, if soundly taken, as important steps in the reconstruction of the agricultural credit situation.

I am in agreement generally with the viewpoint expressed regarding a debt moratorium. It seems impossible to bring about a moratorium without developing such serious situations in the present and in the future that it can not be considered as a helpful step. Such contact as I have had with farmers indicates their acceptance of the obligations they have incurred and a disbelief in the desirability of the moratorium—rather they look in other directions for possible relief.

Under the existing legal and constitutional set-up, no other alternative method of handling farm mortgage adjustments than the individual approach is available. I think that we would do well to consider carefully the ultimate effects of a program of both blanket and individual farm mortgage adjustments.

The four suggestions made by Dr. Hill as to what can be done to bring about improvement in the present farm mortgage debt situation, namely, (1) strengthening the capital structure of the federal land banks, (2) turning the joint-stock-land banks over to the federal land banks, (3) setting up of an emergency loan fund, and (4) setting up a debt conciliatory commission, appeal to me in general as sound steps to take, but they do not go far enough. Federal land banks should be given added power to deal directly with the individual farmer. I do not fully agree with the third item, that of setting up emergency loan funds, apparently,

as was brought out, to take care primarily of that part of the obligation which is in excess of a reasonable present appraisal. It seems sounder financing in agriculture to provide for a writing down rather than a continuance of present loans. I would go further and suggest that the Federal Government issue bonds based upon land mortgages and guaranteed by the government to secure funds with which to carry on the refinancing of the farm mortgage situation. This would enable the land owner to borrow at lower rates than suggested by Dr. Hill. While this would involve the Federal Government in the land mortgage business, yet to all intents and purposes it is already so involved. I am sure that our financiers could work out a method by which a new form of obligation would be created that would be based upon the low valuations that now prevail and which would result in a marked lowering of interest rates.

I thoroughly approve of the idea of setting up conciliatory commissions. If these can be legally set up, I think it would be a step in relieving the farmer and creditor of many excessive costs.

It appears that the most important step that can be taken is to make available a reservoir of funds at the lowest rate of interest consistent with sound financing; the developing of a system by which the federal land banks may deal directly with the individual farmer; such permissive legislation as will give opportunity to legalize the various steps that may be required to accomplish the purpose; and refinancing, as opportunity permits, upon the basis of present appraisals, thus giving a greatly lowered indebtedness.

I would not wish it understood that I suggest the refinancing on a lower basis of value and lowering of interest rates as obligatory upon the creditor—rather it would become a matter of adjustment to be undertaken provided both the debtor and creditor agreed.

An institution that would make available to the farmer a new source of credit, permitting him to secure a new loan within the present appraisal values, and substituting for the present creditor, if he will consent, such a credit agency as shall be developed or used to meet this situation, would be of immediate aid in attacking the debt problem. I do not think that the agency developed should necessarily provide for second mortgages nor is it under the necessity of doing so. Rather the owner of the present obligation should determine whether it is preferable to accept the amount which may be secured under present conditions or carry the existing obligation with its possibilities for loss. The farmer should be assisted both by a lowering of interest and, in many instances where debtor and creditor view the situation alike, by a decrease in his net obligation.

I doubt if sufficient data are available or that our forecasting powers are such that we could, even if we decided such a course were desirable, adopt and launch a sweeping program of farm mortgage debt adjustments. Probably a middle of the road course is preferable. That is, we should work along with the existing farm credit machinery, adjusting and liberalizing it wherever such action appears desirable. By amending the Federal Farm Loan Act and by providing new sources of funds, the Federal Land Banks should be adequately able to care for whatever adjustments that appear at this time socially desirable.

I agree with Dr. Hill in advocating the taking over of the joint stock land banks, on some basis of justice to the bondholder and the stockholder, by the Federal Land Banks. Life insurance companies could probably get a measure of relief through transferring a large proportion of their loans to the new credit agency.

If Dr. Hill has correctly portrayed the situation, there is little value in refinancing when the same principal is involved. If present indebtedness and interest are beyond the ability of the farmer to pay, new credit agencies should then be concerned with decreasing the principal amount and lowering the interest charge.

In conclusion, I should like to quote two paragraphs from the recent report of the Special Committee of the Association of Land-Grant Colleges and Universities on the agricultural situation:

"The farm mortgage situation is so serious and the ultimate results of the foreclosure of large numbers of farm mortgages are so disastrous alike to debtor and creditor and industry dependent upon agriculture, that definite refinancing measures should be undertaken. This is now a national problem, requiring the assistance, on a large scale, of the National Government. A further development of the Federal Land Banks is to be recommended. The adoption of aggressive policies designed to provide a program of farm debt adjustments should be undertaken in connection with any new farm credit legislation. For many farmers, adjustments can be made to bring indebtedness within the limits of the capacity to pay at a smaller loss to creditors than would occur if the processes of foreclosure were carried out.

"In the absence of any concerted action to alleviate the farm mortgage situation, and with many farmers unable to meet payments on commitments that would have been considered reasonable during the past quarter century, farm mortgage lenders might well assume the attitude of permitting delinquent title holders to continue to possess their farms, provided they make such payments as may be possible under present conditions. In general, it must be recognized that many of the farm operators now in financial distress are the best men to occupy and farm the lands to which they hold title. With the possibility of retaining title to the property or of regaining it when conditions improve, they will put forth more effort in the maintenance of the property than will the average tenant."

Discussion by Chester H. Gray

Washington Representative, American Farm Bureau Federation

A consideration of the papers already presented this morning on the general subject of the farm mortgage debt brings to view the fact that there are three possible methods of attacking the farm mortgage situation as it now exists in all parts of the nation. First, we can let nature take its course with enforced liquidation, sheriff foreclosures and similar proceedings, all of which in time will deflate land values, not only those which are mortgaged, but all other farms as well, and emerge on a lower basis of farm capitalization. This is a cruel process and is not likely to be allowed to operate unhindered. Second, a gigantic farm mortgage corporation may be set up to refinance all farm mortgages which are worthy to be refinanced, patterned very largely after the legislation of the last session of Congress which created the Reconstruction Finance Corporation. Third, on the foundations we already have for mutual or coopera-

tive financing of farm mortgages in the farm loan system, we can build a more stable structure, and by a process of absorption, which might be rapid in regard to farm mortgages desperately needing finance, and slower in its ultimate growth, would come to be the farm mortgage agency of the entire nation.

If nature takes its course, agriculture already having been deflated to the extent of many billions of dollars, will be still further reduced in its capital assets. If nothing is done about the farm mortgage situation from a long time point of view, it will really harm the unmortgaged farmer more than it would temporarily seem to work a hardship on the farmer who has a mortgaged farm. The latter's pain, both mental and financial, temporarily is raised to a high pitch as the process of foreclosure and eviction faces him. After the ordeal is over, however, many a farmer, hard-pressed with an unbearable mortgage loan, feels freer and easier than in the few years just prior to his dispossession. The sad part of this slow process of mortgage evolution in regard to the farmer now in debt is that although he may feel easier, both mentally and financially, after the sheriff had padlocked his gate, he in most instances will be without an owned home for the rest of his life.

It is in relation to the farmer who is now out of debt that this slow process of mortgage liquidation will be most unfair. All of his property will be largely reduced in value, first, as a result of forced sales of mortgaged farms around about him; and second, because of the reasonably-to-be-expected increase in rental operations in his neighborhood as a result of mortgage foreclosures.

If a great corporation should be set up to refinance all farm mortgages, both those in the farm loan system and those outside, such a plan could not be temporary. Farm mortgage business is a permanent institution. It cannot be solved with temporary expedients. If a corporation should be set up at Washington, designed at first to be temporary, obviously it would grow into a permanent institution by the force of events. Furthermore, this sort of solution of the farm mortgage question would likely destroy the mutual or cooperative aspects which originally were designed to be main characteristics of our governmental farm mortgage machinery. Whenever the government at Washington deals directly with citizens, the inevitable result is that organizations of citizens, cooperative, mutual or otherwise in character, suffer.

There is a common thought that the most expeditious method of relieving the farm mortgage situation today is for Uncle Sam to become, if not a profligate, at least a cheerful, loaner of the people's money direct to distressed citizens on the farm. It is difficult to argue against this trend of citizenship thought, especially when it is remembered that the last session of Congress provided the Reconstruction Finance Corporation to loan to industries, and the Home Loan Bank Bill to loan to distressed home loan associations. But it remains to be seen how effective these instrumentalities may be, whether viewed from the temporary or permanent points of view.

It must be confessed, however, that looking at this farm mortgage question from the Washington point of view, more attention has been given to and more hope expressed in the farm mortgage corporation plan than in any other approach to the question. In fact, more bills have been intro-

duced revolving in some way around an idea of a new farm mortgage corporation than can be found in regard to any other plan of approach. Senator Wheeler, of Montana, wants a "Farmers' Reconstruction Finance Corporation," which is virtually for farm mortgage matters a transcription of the R.F.C. Act enacted at the last session of Congress. Congressman Browning wants the Federal Farm Loan Board to be created a body corporate, with a large capital stock, with powers and facilities to perform in various ways in refinancing farm mortgages. Senator Brookhart approaches the question from the double point of view of setting up federal cooperative banks, and then creating a federal cooperative reserve system. Senator Thomas of Idaho has a measure which provides for a government farm loan bank of the United States, with a large capital stock and accessory functions to refinance farm mortgages. Senator Frazier sponsors "The Farmers' Farm Relief Act," which authorizes the Federal Farm Loan Board virtually to become the corporation, which either by sale of bonds to the public or by the issuance of treasury notes, will refinance all the farm mortgages of the nation.

It will be seen from a study of these and other measures that not many of them tie directly into the present farm loan machinery with its headquarters at Washington. The measures by Senator Brookhart and Congressman Browning propose the use of the Farm Loan Board, but really rebuilding it in such a way as to almost wholly change the present plans of operation. Whether or not the Farm Loan Board and the entire farm loan system are in disrepute on Capitol Hill, thus leading members of Congress into an effort to set up something new, is not a point of discussion in this paper. It may be, as in many other similar instances which could be cited, that in an emergency like the nation faces relative to farm mortgages, members of Congress and others rush into proposed solutions without analyzing thoroughly the possibilities of building on the foundations we now have.

In the bald, bold plan of setting up a gigantic national farm corporation ordinarily there is a complete surrender of the cooperative principle, which was originally designed to prevail in our national farm loan system. Usually, too, in this plan of solving the pressing difficulty, the idea seems to be that this great national corporation shall be temporary. This would hardly be possible in farm mortgage matters. Some of these plans have received much support because of their proposed inflationary aspects; that is, if the bonds necessary to secure funds with which to refinance farm mortgages are not salable, then circulating media of one kind or another shall be issued to cover whatever mortgages are presented for refinancing.

Differences exist in the bills, which revolve around the idea of a new corporation, in that some of the measures confine themselves wholly to the present farm loan system. Their benefits would not apply, of course, should they be enacted into law, to the great mass of farm mortgages outside the present system. Other measures already introduced at Washington cover all kinds of farm mortgages—federal, joint, private, corporation—thus seeming to place every farmer who is in debt on his land in equal position to receive refinancing. Each and all of these measures strike directly at the hope of lower interest rates. Either in the measures directly stated, or by inference, the interest rate is to be from 1½ per cent to 4

per cent annually. Plans for a direct moratorium for a temporary period, and for leniency to hard-pressed borrowers in all future years, are characteristic of most of these measures.

A very significant development in practically all of these introduced bills, which are based on a federal corporation plan, is direct dealing between the government and the citizen. With an exception or two, the massing or grouping of citizens into organizations with which a proper government agency can contact, is very largely lost sight of. This may lead to the logical conclusion that a too hasty enactment of farm mortgage legislation might do an irreparable harm to the cooperative principle of action, which farmers in farm organizations, to say nothing of other citizens, very much approve.

A prime difficulty of the Federal Government dealing directly in loaning matters with citizens is the lack of connecting machinery between the government and the citizens. For instance, if a gigantic farm mortgage corporation should be set up at Washington, even with regional branches, how difficult it would be for John Smith, a distressed and mortgaged farmer, to get his cause properly presented for the purpose of having himself refinanced. There would need to be built up in this new mechanism, should it be enacted into law, a machinery which practically would duplicate that which we now have in the farm loan system.

The natural thought in this connection is that the farm loan machinery would be called upon by this new gigantic farm mortgage corporation to act as its contact agency between itself or its regional branches and the individual citizen. The equally natural observation is that if the farm loan system is to be required to do this sort of work, why should not the system itself be expanded by federal legislation so that it can more adequately cope with the almost impossible task of refinancing farm mortgages before the sheriff gets into action?

This leads naturally to the assumption that whatever refinancing of farm mortgages is to be put into effect should use our present farm credit machinery, imperfect as it is, and by making it better, build on it as a foundation to perpetuate cooperative or mutual mortgage credit facilities. Obviously, the farm loan system cannot refinance all farm mortgages under its present limitations. At least two things in addition to its present powers are necessary. Government guarantee of the bonds in the federal farm loan system is a prerequisite in rebuilding the system large enough in scope to take over much of the farm mortgage business of the nation. Then, if this is done, more funds in the way of capital stock for the Federal land banks must be provided so as to make operative the enlarged activities of the farm loan system. In practice the same ends would be accomplished by these two procedures relative to the farm loan system as are thought to be possible of attainment by the corporation plan.

With government guarantee of federal farm loan bonds, plus the necessary increase in capital assets of the federal land banks, the amount possibly reaching $250,000,000 there will be a constant drift of the farm mortgage business from all quarters into the farm loan system. With guaranteed bonds, the insurance companies, loaning agencies, and many private lenders would prefer to exchange their mortgages for the bonds, even though the rate of interest might not be very high.

In addition to this gradual absorption by the revived farm loan system

of the existing mortgages, the future could be expected to show that new mortgages would, to a percentage much larger than in the past, be taken in the farm loan system. This would get us in future years to the point of having a gigantic farm mortgage machinery in the nation, such as present enthusiasts want to secure by federal legislation instantaneously.

It is reasonable to expect, however, that this plan of guaranteeing federal farm loan bonds and putting more funds into the federal land banks will attract the least desirable present mortgages first. In fact, it is difficult to approach the farm mortgage question as it now exists in many parts of our nation without realizing that we are trying to do something for those who are virtually insolvent. But as time goes on, and after the present emergency has been eased up a bit, the gradual flow of farm mortgage business into the farm loan system would bring to that system perfectly safe security, ample to justify whatever capital stock the government might put into it, and the slight risk, with some losses, which might be incurred at the beginning.

It is interesting to surmise how instantaneously or how slowly our farm mortgages would be refinanced under this type of legislation. As a very general estimate it is suggested that in the first year after new legislation, of the character just described, would become effective, one billion of the approximate ten billion dollars of farm mortgage debt, would receive refinancing, with more than a billion applying therefor. Even with the most humane administration of this or any other type of federal refinancing of the farm mortgage debt, we need not expect that every mortgage which is presented for refinancing will be found acceptable. So with the eliminations which would have taken place before the first billion dollars had been refinanced in the first year, there would be, nevertheless, in this billion, those mortgages which are now in most desperate circumstances; that is to say, they would be the least desirable mortgages, even after eliminations had been made. At the end of a five-year period, if all mortgages are to be refinanced at lower rates of interest—and we hardly dare approach this question unless we include the whole proposition—perhaps five billion dollars of the present mortgage debt would have been attended to, either by definite refinancing or by application therefor.

The rest of the farm mortgage debt would require some period extending between five and ten years, and in that period perhaps not more than an additional one and one-half billion dollars would be refinanced. It is a reasonable judgment that no matter how meritorious a refinancing scheme might appear to us now to be, and no matter what the rate of interest or the amortization payments might be, there would still remain an approximate 2½ billion dollars of the mortgage debt of the nation untouched by this new mechanism which we are now discussing. No matter how beneficial the new financing scheme might be, there would be perhaps one-fourth of the present farm mortgages which would neither apply for nor expect to receive refinancing. Local and family arrangements, re-adjustments between mortgagor and mortgagee on the basis of what is being done in the revitalized farm mortgage system, will still persuade many farmers who are in debt on their land not to come within the system.

Also, with this complete plan in full operation, there would continue

to be new mortgages issued outside the system, but perhaps not in as great quantity and percentage compared with mortgages within the system, as is now and for years past have been noted. In fact, we cannot flatter ourselves that any plan of federal refinancing will draw to it, as a magnet draws bits of steel, all the mortgages of the nation.

This is truly a gigantic plan, equally as much as the corporation idea previously discussed. It is based on the cooperative, or mutual principle. This brings up the question, what shall be done in regard to that principle and its perpetuity? The national farm loan associations, theoretically at least, are the base upon which the entire farm loan system stands. They constitute the point of contact between the federal government, represented by the Farm Loan Board and the regional federal land banks, and the individual borrower. They have not functioned, it is evident, either as a foundation for the system or as a determinator of policies and procedure, as we may conclude was originally designed by the framers of the Farm Loan Act. If we are going to expand almost to an *n*th degree the functions, powers, and prerogatives of the farm loan system so that it can absorb much of the farm mortgage burden of the nation, it will be well for us to give more than passing attention to the revitalization of the powers, functions and duties of the national farm loan associations.

It might be well to enlarge their activities by permitting them to function as credit unions, as well as what one may call mortgage unions. They might expand their activities also into agricultural credit corporations for temporary and immediate credit purposes, this being the most recent credit mechanism for agriculture to which Washington in late years has given prime attention. Then the national farm loan associations should be reinstated in the original plan of formulating policies from what we ordinarily call the ground up, rather than from the top down.

If something of this nature is not done, or if the Farm Loan Act should be supplanted by one or another of the corporation plans for refinancing farm mortgages, one may reasonably conclude that the mutual or cooperative aspects of the farm loan system will have been lost. If, indeed, these features of the farm loan system are to be lost, and if it was an error to include them in the original Farm Loan Act, then the quicker they are eliminated from the revised and revitalized act, the better for all; but it is not yet a permissible conclusion that these original ideas and ideals were in error when the Farm Loan Act first was being formulated.

With the national farm loan associations functioning as they properly should, we would have not immediately, but in time, say from five to ten years, more nearly one vast loaning agency for agriculture, rather than the several which we now have at Washington.

There are indeed too many loaning agencies for agriculture at Washington. There should be some sort of consolidation of these various functions so that as far as the Federal Government is concerned, farm credits would issue more generally from one controlling board. The Federal Farm Board, the Secretary of Agriculture, the Farm Loan Board, through the Federal land banks, the joint stock land banks and the intermediate credit banks, and the Reconstruction Finance Corporation are all in some way or another financing agriculture, to say nothing about the Federal Reserve Board, which is the head of all national financing. It might be well to take all credit instrumentalities out of the Department of Agri-

culture. The individual relief loans and the Agricultural Credit Corporation financing in the Department might as well be lifted over into the Farm Loan Board or the Federal Farm Board. The activities of the Reconstruction Finance Corporation, temporary in character, should be so arranged that at its liquidation its financing will go partly to the Farm Loan Board and partly to the Federal Farm Board.

It may seem beside the point to even mention other forms of rural credits than the farm mortgage debts in such a symposium as is being held this morning; but it is difficult, at least from the Washington point of view, to examine one of these credit instrumentalities without finding oneself transgressing on several others which the Federal Government has established. The height of the ridiculous in administrative matters is to make of the Department of Agriculture, which was designed to be a research and educational institution, a credit or banking institution. The national farm loan associations more properly should take over the feed, seed and drought loans than that they should continue to be administered through the Department of Agriculture. We have a startling example of how a so-called temporary organization, like the R.F.C., can be set up by Act of Congress, somewhat to upset and possibly supersede existing credit agencies.

For the present session of Congress consolidation is not likely to be effected, although it does seem that refinancing of farm mortgages will be one of the few major agricultural pieces of legislation to be enacted before March 4. In the struggle at Washington now both the emergency and the long time programs are being considered.

In regard to a moratorium of definite and general nature, it is realized that federal law cannot be enacted to apply to the entire situation. There could be, of course, a moratorium on the mortgage debts in the farm loan system. Perhaps it would be better to have more leniency shown throughout the entire farm debt situation in regard to those who find it impossible to meet their payments, either of interest or principal. In this connection, it is permissible to suggest that interest and amortization payments might be delayed for various lengths of time up to five years, with no supreme penalty of foreclosure during that period. It is difficult though to get completely away from the abstract idea of a moratorium in times like these.

In the emergency program there is a place for committees or groups to act as conciliators between mortgagor and mortgagee; but let us not expect too much solution of the present trouble from this device. It will take too long to set up its machinery; it will really have no power other than that of the usual conciliator; and without proper remuneration to the members thereof will soon degenerate into inactivity. Furthermore, the borrower and the lender somewhere in our nation, every minute of every day, are meeting on the problems which are mutual between them and are coming to agreements or failing to do so, as the particulars of the pending controversy justify. This is being done now, and it is always being done without the overhead machinery of conciliation committees. Furthermore, the big loaning companies already have good facilities for getting into contact with their borrowers and agreeing upon common lines of activities. We should not, though, minimize the creation of public sentiment, which in nation-wide building up of debt conciliation commit-

tees, might result in good. Whether or not this could be done in time to be classed as an emergency treatment is doubtful.

It will be necessary in the emergency program to have an addition to the loan fund, which was provided at the last session of Congress for use by the Federal land banks.

Another feature of the emergency program, which is receiving much national attention, is a general scaling down of the mortgage debt structure. At first glance this appears very attractive. On further examination, however, it develops that such a plan might sacrifice values in many commercial activities other than farm mortgages; and the legal powers of Congress, of course, are known to be limited in ordering such general and horizontal scaling down, except in relation to the loans in the farm loan system. This is another proposition which, no doubt, will need to be adjusted between mortgagor and mortgagee on a case-project basis, with or without the intermediate functioning of debt conciliation committees.

We ordinarily think of farm mortgages as being the same problem all over the United States, but there are some phases of it which are distinctive and may receive emergency treatment. Farmers on federal and private irrigation districts have annual charges which are extra and above the usual interest and amortization payment of the ordinary farm mortgage. These farmers perhaps need more emergency treatment than do most others in the nation. Accordingly, it is wise to incorporate in the emergency plan an extension of time, or a moratorium, if you please to call it so, of the payments on private and federal irrigation and drainage districts, or else the farmers living therein, with present prices of farm products, will be dispossessed in greater percentages than in any other type of agriculture in our entire nation.

Bills are pending at Washington to accomplish these things, and already an extension has been granted applicable to federal irrigation districts, with prospects that this extension will be carried along at least one additional year. Not so much progress can be reported in regard to relief for private irrigation and drainage districts.

Another emergency treatment, which is permissible, is to extend the amortization period in the farm loan system to 50 years, thereby making it somewhat easier to meet the annual payments. It is, though, a sad commentary on the earning capacity of American agriculture, trained and efficient as the average farmer now is, that when he once goes in debt on his farm he may expect to work throughout his generation, and his son thereafter for a succeeding generation, in order to liquidate the obligation.

Another emergency possibility is the elimination of pyramiding the cost of federal money between the time it leaves Washington and its arrival, or the benefits resultant therefrom, to the individual farmer. We see too often money leaving Washington, not only for agriculture but for other walks of life, at from 3 to 4 per cent interest—and sometimes below 3 per cent—but costing the citizen when it finally reaches him from 6 to 8 per cent. Unless the government develops the policy of dealing in credit matters directly with its citizens, thereby removing all necessity or excuse for pyramiding the cost of money, we may expect some increase in the interest rate between the government and the citizen; but at present, whether the money is used industrially or agriculturally, too many hands

touch it, too many profits are made from it, so that in many—one may say, in most instances—the citizen would have done better to have gone to the regular credit instrumentalities for his necessary financing. Even cooperative organizations have fallen, or are falling, into the same mechanism of operation as have characterized corporations for ages; and now farmers, who are members of cooperative marketing organizations, find this same pyramiding of money cost going on within their own organizations before the money, or its resultant services, gets down to them.

In the emergency point of view, as well as perhaps permanently, we may hope to get interest on farm mortgages down to 3½ or 4 per cent. These rates, plus the necessary amortization payments and costs of operation, should bring the total cost to the farmer borrower to 5 per cent, but not beyond that rate. It is known, however, that there are many advocates to be found for farm mortgage rates of interest, in total, and containing all necessary costs of amortization at below 3 per cent. This is a hope which we should not discourage, but a practicality from which we should not expect too much results.

Turning now to the permanent program at Washington, we find it, like the emergency program, is concerned mostly in getting interest on farm mortgages down to a figure nearer actual cost of money than is now paid by most farmers, and setting up some additional governmental machinery which will permit farmers who are hard-pressed being refinanced before foreclosure is imposed on them.

In addition to setting up new governmental machinery, we must consider the elimination of at least one feature of the present farm mortgage plan. The joint stock land banks, being to all practical intents private agencies, should be eliminated from the system to the least possible disadvantage of their borrowers. This elimination should be accomplished by the federal land bank system without impairment of the bonds, securities, or general standing of the entire system. The prime point of view should be the farm borrower, not the bondholder. Then, after elimination has been accomplished, which in part will be absorption, all those provisions in the Farm Loan Act which relate to joint stock land banks should be repealed.

All this will require, as above stated, more capital stock, all supplied by the Federal Government to the federal farm loan system, extending by various estimates from 100 to 500 million dollars, plus government guarantee of the bonds in the federal system. Many bills containing various aspects of this great problem are pending, but it is not likely that any one of these measures will be enacted into law, as each one has several faults, and no one competently covers the entire question of refinancing farm mortgages. It is not likely that farm mortgages will be refinanced on an inflationary basis; that is, money will not be issued on the background of farm mortgage values.

THE EXTENT, CHARACTER AND FUTURE OF THE NEW LANDWARD MOVEMENT[1]

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The new landward movement of people may be thought to include only the developments that have taken place since the beginning of the present depression in 1929. Some features of this movement unquestionably represent a complete reversal of what was occurring during previous years. Others, on the contrary, seem to be chiefly a continuation—perhaps an acceleration—of trends which began earlier. To show the contrast of the recent with the prior period for the first group, and the earlier happenings for the second group, certain developments during the 1920 decade will be considered first.

The 1910 to 1929 Period

When the 1930 census of population was taken the present depression had little more than begun. Changes that occurred in the distribution of people between the 1920 and 1930 censuses represent the effects of good times, in fact of a period of rising prosperity. During this decade and that preceding, two of the outstanding events in the migration of persons within the United States were the departures from farms, and the arrivals in small towns, villages, and the open country near cities of city workers seeking suburban living conditions.

Departures from farms were particularly large from 1920 to 1930. In spite of a fairly large excess of births over deaths on farms, and of some movement from cities and villages to farms the farm population of the United States declined over 1,400,000.[2] This is about three times as large as the estimated decline from 1910 to 1920.[3] Declines in the 1920 decade were well distributed over the United States outside of the West South Central and Pacific divisions, occurring in 32 states and being especially large (over 90,000) in Pennsylvania, Ohio, Indiana, Illinois, Missouri, Virginia, South Carolina, Georgia and Kentucky. Of the sixteen states showing gains, the numbers were hardly significant

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[1] This paper was read at a joint meeting of the American Farm Economic Association and the Rural Sociological Section of the American Sociological Society, Cincinnati, Ohio, December 28, 1932.

[2] The census shows a decrease of 1,169,000 which needs to be increased to allow for the change in the date of enumeration from January 1 in 1920 to April 1 in 1930, the seasonal movement of farm workers tending to increase the farm population from January 1 to April 1.

[3] C. G. Galpin and T. B. Manny: "Farm Population Now Increasing," in *The Agricultural Situation*, November, 1932.

except in North Carolina, Mississippi, Texas and California. The figures on annual movement prepared by Dr. Galpin and Dr. Manny show about 900,000 persons leaving farms in 1920; 1,300,000 in 1921, and over 2,000,000 in each subsequent year up to and including 1929.[4] Arrivals at farms from cities were less than 600,000 in 1920 but gradually increased to 1,700,000 in 1927, and have since remained approximately at this level. The net migration from farms to cities rose from 300,000 in 1920 to over 1,100,000 in 1922, averaged over 700,000 annually from 1923 to 1926, and was approximately 450,000 in 1927, 1928 and 1929. With the exception of 1920, 1921, and 1924, net departures were so large as to more than offset the excess of births over deaths, the net loss of farm population amounting to about 500,000 in 1922 and in 1926, nearly as much as in the entire decade 1910 to 1920.

The rural-nonfarm population, instead of losing about 1,900,000 as the farm population did from 1910 to 1930, gained approximately 5,900,000.[5] About 2,200,000 of this gain took place in the 1910 to 1920 decade, and 3,700,000 in the 1920 to 1930 decade.[6] In the latter period there were increases in all states except Minnesota, Iowa, South Dakota and Nevada, although small (less than 10 per cent) in the four other West North Central states, and in Pennsylvania, New Jersey, Illinois, Wisconsin, Montana and Colorado. Large increases (over 30 per cent) took place in New York, Michigan, Delaware, Maryland, North Carolina, South Carolina, Florida, Kentucky, Utah, Oregon and California. How much of the rural-nonfarm increase came from an excess of births over deaths, and how much from the net migration from cities and farms can be estimated only roughly. Making allowance for the higher birth rate and lower death rate of the rural-farm than of the rural-nonfarm population it is possible that natural increase contributed between 1,800,000 and 2,300,000 to the rural-nonfarm population during 1920 to 1929 and net migration between 1,400,000 and 1,900,000.[7]

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[4] *Ibid.*

[5] The census shows the rural population gained 4,014,000 from 1910 to 1930. Increasing this by 1,900,000 (the Galpin and Manny estimate of the loss of farm population most of which is rural) gives a rural-nonfarm gain of 5,900,000.

[6] The intercensal gain of 3,615,000 is increased to allow for the change in the census date mentioned previously.

[7] According to the Galpin and Manny estimates of net migration from farms and net loss of farm population from 1920 to 1930 the excess of births over deaths on farms was about 4,850,000, or at the annual rate of about 15.5 per 1,000 population. The crude death rate of the farm population during the decade has been in the neighborhood of 11 per 1,000, and the birth rate 26.5. The rural-nonfarm crude death rate may have been slightly higher due to a somewhat less favorable age composition, but the birth rate has been about 20 per cent lower. Hence the rural-nonfarm excess of births over deaths has been at the rate of about 10 per 1,000. Applying this rate to the rural-nonfarm population gives an excess of births over deaths amounting to about 2,000,000 from 1920 to 1930.

Part of the increase in rural-nonfarm population was not conspicuous. It consisted of the reoccupying of farm houses previously abandoned, particularly in parts of the northeastern states. Much more striking was the development of so-called acre lot colonies along improved roads near cities. For example, on a three and one-half mile stretch of road between Oxford and Hamilton, Ohio, not far from Cincinnati, there were 9 farm houses in 1920 whereas in 1930 there were 50 additional houses, most of them occupied by persons working in Hamilton. Allowing four persons per house, this added a rural-nonfarm population of 200 to this limited area that previously had a farm population of about 36. In former decades this gain would have accrued almost entirely to the city of Hamilton itself, rather than to this nearby area. Similar situations can be cited in many parts of the United States.

The 1930 to 1932 Period

Although the available information regarding the movement of population to and from the land from 1910 to 1930 is far from adequate, it is vastly superior to that regarding the movement since the beginning of 1930. There can be no doubt of the general trend during the last three years, however, it is simply a question of the amount of migration. About the only statistical data available deal with the farm population, the estimates of Drs. Galpin and Manny showing arrivals at farms from cities, of 1,740,000 during 1930 and 1,683,000 during 1931, slightly above the average for 1927 to 1929 and well above that for previous years. Departures from farms for cities declined from about 2,100,000 in 1929 to 1,700,000 in 1930 and 1,500,000 in 1931, well below any other year since 1921. The net movement, therefore, was completely reversed. Instead of net departures from farms of between 422,000 and 1,137,000 persons as was the case from 1921 to 1929 there were net arrivals at farms of 17,000 persons in 1930 and of 214,000 during 1931. Estimates have not yet been compiled for 1932, but if the writer were to hazard a guess he would say that arrivals increased and departures decreased so that net arrivals may have been between 300,000 and 500,000.

The figure of 300,000 to 500,000 for net migration to farms during 1932 is only a guess, and may seem too high in comparison with 214,000 during 1931. It should be noted, however, that the Galpin and Manny estimates probably understate the movement, because they are based on changes occurring in the homes of crop reporters which undoubtedly are more stable than the average

farm home. That of the writer, who is a crop reporter, is an example. Plans have already been made by these men to eliminate this probable defect in preparing estimates for 1932 and subsequent years.

That there has been a larger migration back to the farm in 1932 than in 1931 seems a certainty. It would result naturally from the continuance of the depression with its accompanying unemployment and consequent exhaustion of savings. It is indicated beyond a doubt by the material which public school officials, agricultural economists, sociologists and statisticians of the various states have been so kind as to furnish the writer in response to letters. Three indications of the landward movement are commented upon most frequently. First may be mentioned the unusually large number of persons wanting to rent a farm and the comparatively small number of tenants wishing to leave the farm on which they are located. Often landlords who wished to make a change in tenants during 1932 could do so only by forcible eviction of the existing occupier who was unable to find another place to which to move.

Of more frequent occurrence are statements relative to the decreasing number of vacant farm houses. In parts of a few states, particularly in New England, there seem to have been few vacant farm houses for a decade or more, the movement of town and city workers to country homes having begun earlier. But in many other areas there has been a marked filling up of vacant farm houses since 1930, quite in contrast to the abandonment that was going on during most of the 1920 decade. On the whole this change has been greatest in the poorer farming sections where topography is rough and there is much wooded land. For example, in West Virginia many hill farms are being reoccupied after standing empty several years. In the cut-over sections of Wisconsin many so-called abandoned farms have been reinhabited in recent months. In Arkansas the return movement has been particularly marked in the western and west central counties, followed by the Crowley's ridge section of the east and the sandy pine country of the south, with few people going to the rice sections and the rich alluvial districts.

"Back to the land" in such districts has not been confined to the reoccupancy of vacant farm houses, for many new dwellings have been erected. Usually these represent a minimum of cash outlay, frequently being built of logs cut in the vicinity or of rough lumber from local saw mills. Many of these were seen re-

cently by the writer in southeastern Ohio, West Virginia and Virginia. They are reported to be common in many parts of the Appalachian region and in other regions where conditions are similar.

Important as are these two indications of the landward movement, the most common statement and the one most emphasized dealt with the movement of persons into farm houses already occupied, most often the return home of sons or daughters who had lost their jobs in cities, but frequently the doubling up of families of friends as well as relatives. A few years ago many dads and mothers on the old home farm may have received quite a little from the good wages their grown children were earning in the city. But in 1932 the situation has been reversed, instead of much money being sent from the city to the country, many sons and daughters who could not find work in the city flocked back to the farm believing that there would be enough to eat even though corn is selling for ten cents a bushel and ready money is as scarce as hens teeth. Sometimes those returning are just as single as when they left, but frequently the wife or husband and the children acquired since leaving home are brought back as well. Illustrations of this doubling up come from many sources. For example, the operator of a moving van business in Knoxville, Tennessee, reports being kept pretty busy this fall, mostly at moving people to the country, with a large proportion going into houses already occupied by a family. Similarly, from Hamilton, Ohio, comes a report of much business (frequently paid from relief funds) in returning to Kentucky—mostly to rural sections and often into occupied houses—families unable to support themselves in that industrial city.

The rapidly rising excess of arrivals on farms over departures from farms and the increase in the farm population since the beginning of 1930 represent a complete reversal of the previous trend. In contrast is the situation of the nonfarm-rural population, the growth of the 1910 and 1920 decades appearing to have continued. Part of the evidence of this is included with what was just presented regarding the farm population, for not all of the families moving into the vacant farm houses or doubling up in occupied houses expect to farm, any more than do some of those who have put up log houses or shacks of rough lumber. Additional evidence is furnished by the construction by city workers since 1930 of many houses on the good roads leading to the city. On the three and one-half mile stretch of road between Oxford

and Hamilton where 50 houses were erected between 1920 and 1930 as mentioned above, there were 10 additional houses built during 1930 to 1932. Reports from elsewhere indicate that instances like this occurred by the thousands. Apparently, however, the trend of this type of suburban construction has been decidedly downward during the last two years. Even though a large percentage of these houses ordinarily are built in part by their owners during time not spent at their regular job, some cash outlay is required. In all too many cases there has been plenty of time available for such work, but the necessary money has been harder and harder to raise.

The recent slowing up of this type of growth of the rural-nonfarm population probably has been compensated for in part by the increasing net migration to the older villages. During the prosperous years of the 1920 decade the decline in farm population resulting from a large excess of departures over arrivals was paralleled by a decline in the population of older villages. This is shown clearly by the decreases in the population of over 900 villages between the 1920 and 1930 censuses. It is highly probable that the net movement to farms, which began in 1930 and has increased rapidly since, has been accompanied by some growth of the village population. The reasons for this belief are simple. Villages like the open country have abandoned houses. More important, occupied houses in villages as well as on farms have some extra room that can be utilized by relatives or friends unable to keep at work in cities. It may be just as hard for those returning to earn money in these villages as in the cities they have left, but a cash economy is not as universal as in the cities. More space for raising vegetables and pasturing a cow is available nearby, as is frequently a wood lot where enough wood for cooking and perhaps for heating may be obtained by cutting on shares.

As mentioned earlier, the rural-nonfarm population increased at the rate of about 220,000 per year from 1910 to 1920, and 370,000 per year from 1920 to 1930. Since 1930 it is possible that a falling off in the suburban type of growth has been balanced by the increasing growth of the older villages and of the log cabin developments on submarginal land in the Appalachian region and cut-over districts. Allowing considerable leeway, the rural-nonfarm population probably grew between 200,000 and 400,000 during 1932. As previously stated, the gain of the farm population from migration appears to have been between 300,000 and

500,000. In addition, the excess of births on farms during 1932 probably amounted to about 400,000, somewhat under the annual average of 485,000 during the 1920 to 1930 decade. Adding these figures indicates a growth of 900,000 to 1,300,000 in the rural population during 1932.

The annual growth of the total population of the United States since 1930 is known more accurately than the growth of the rural part. Figures now available for immigration, births, and deaths point to a total gain of 830,000 persons during 1932 compared with about 875,000 during 1931. Subtracting the rural estimates from the total figure indicates that the urban population lost between 70,000 and 470,000 persons. Thus 1932 seems destined to set another record, to be the first year in which modern American cities as a group suffered a marked loss in population.

Some Effects of Present Movements

Many problems are raised by the migration that is taking place. Those returning may be considerably more self supporting in the village or farming community than they were in the city, but all too frequently they will increase the burden on rural resources already overloaded. Relieving the cities of feeding and sheltering their unemployed may be fine for them, but it is tough on the country. In this connection it is interesting to see urban opinion becoming so sure that the state should contribute toward financing unemployment relief in cities, yet maintaining its former positive attitude that state support for rural schools is utterly unjustified. Nevertheless the present landward movement is making the plight of many rural schools even more serious than formerly.

The transfer of hundreds of thousands of persons from the city where most food is purchased to the village and country where much food is raised is having an important effect in reducing the size of the market open to the commercial farmer. At the same time, this movement is increasing the supply of farm labor and helping to force down wages to a low point. There is thus a tendency to unbalance the relation between production and consumption of agricultural products from both directions. The effect of cheap farm labor, however, may be more to decrease labor efficiency than to increase production. The price of farm machinery has declined so little and the cost of tractor power remained so high compared with horse power than the advantages of saving labor in these ways are not as great as formerly.

Perhaps the old machinery will be run longer instead of being replaced by new and the tractor left in the shed to save gasoline, even if the output per man is lowered.

The doubling up of families and the type of shacks and log houses being erected point to retrogression of rural housing conditions. In many areas these were none too satisfactory before; now they are becoming worse, and increasing the rural slum problem. Primitive buildings and furnishings that are usually thought of as having been left behind with the pioneering days of many decades ago can now be seen with increasing frequency.

The owner of a good farm, above average size and unmortgaged, may be hurt least as an individual by what has been going on. His children who left in former years may be back now, or younger ones who would be leaving if times were good may be staying at home. If his labor problem is not solved in this way such a farm owner can hire all he needs at low wages. With plenty of unpaid family labor there may be more leisure time for all concerned. Part of this can be used for the many improvements about a farm that call for work rather than for money expenditures, while part can be devoted to home-made cultural and recreational activities which formerly were more prevalent in the country. Comments from several states indicate much development of the latter recently.

Perhaps because my major work of late has dealt with the growth of population, particularly with changes in the birth rate, the effect of the new landward movement on the national rate of increase seems particularly important. As most readers may know, population growth has been slowing up rapidly of late years, the gain of about 830,000 in 1932 being less than 40 per cent of the gain of 2,120,000 in 1923. The 1932 gain is 1,290,000 below that of 1923 because immigration has fallen off about 850,000, and births have declined 450,000, while deaths have changed but little. Will the landward movement retard or accelerate this rapid decline in births? A study of birth rates in past years among different groups in the United States shows beyond question that urban birth rates have been lower than rural in any year (keeping even such factors as race and nativity, age, religion, and economic and social status), and also that in recent decades declines have been greater relatively as well as numerically in rural than in urban areas. Furthermore, there are signs that conscious birth control has played a major part in causing these urban-rural differentials and declines, the knowledge and

practice of contraception developing first in cities and spreading later and more slowly through rural areas. At first thought it might appear as though the transfer of so many people from urban to rural localities would tend to raise the birth rate, rural rates having been higher than urban. But further study will undoubtedly indicate that these migrants from cities are bringing to the country city ideas regarding the advantages of smaller families and the means by which they may be obtained, and are serving as centers of dissemination of these ideas through the rural population. Instead of the higher rural rates applying to a larger proportion of the population, the rural rates will be lowered more rapidly to the urban levels. What information the author has been able to collect points to this as being the decisive factor, hence it is probable that the present landward movement will accelerate the decline in the birth rate and the slowing up in population growth.

The Future

The consensus of opinion among persons interviewed and corresponded with is that most of the people who have left the cities during the depression will return when the depression ends and they can again obtain city jobs. Unfortunately, the exact year of this miracle was not stated definitely. According to this viewpoint, the return to the land has not resulted so much from love of the country as from privation in the city. Because of the age discrimination operating in modern manufacturing and trade, many of the older persons may not return to the cities unless the next industrial boom commences soon and develops with great rapidity. But the others who will return with good times should serve as points of contact for their friends and relatives who had not gone to cities previously, and should draw more than enough from the younger group to offset the nonreturning elders. In short, it is believed that the willingness of the population to migrate has been increasing rather than decreasing, and that the taste of city life obtained by so many before the depression began will prove a sufficient lure when city jobs can be had again.

How fast urban activities will be able to reabsorb these workers is a highly controversial topic. There seems little question but that the important gains in labor efficiency in agriculture look small in contrast with those that have been and can be achieved in manufacturing. Surely nothing in agriculture can equal the manufacturing of incandescent lamps, where labor is said to be

9,000 times as efficient in 1932 as in 1914.[8] From this standpoint it is argued that cities will not need as large a working population as formerly, hence, that part of the new landward movement should be permanent. Directly opposed to this, however, is the argument that there was over production in agriculture before this depression started, that the demand for industrial products is much more elastic than the demand for farm products, and that a proper adjustment of higher wages and shorter hours in all occupations would so increase the consumer demand for industrial products that cities would draw from the country the population not needed there for production under the new conditions. It is to be hoped that the latter viewpoint proves correct.

To discuss when the depression will end and what will happen after that may seem somewhat far fetched just now. As far as the immediate future is concerned, a continuation of the new landward movement is to be expected for the reason that cities operate on a money economy to a much greater extent than the country. A person unable to work for a money wage or salary in the city may be able by his own efforts to eke out a bare existence in the country. A primitive economy may provide better for part of the population than a highly complicated economy that has broken down rather badly in certain respects. That this is not a healthy situation for the nation seems self-evident. No doubt there is general agreement with the statement of the committees on Land Use and National Land Use Planning that

> "To look for subsistence farming as a solution to the industrial problem is to reveal an unwarranted lack of confidence in the future of American industry, and also to forget the fact that subsistence farming contributes little to the prospects for recovery from this depression."[9]

Nevertheless, as long as jobs are so scarce in cities and unemployed city dwellers can find a place in the country where food and shelter can be obtained in other ways than by money payment, it seems certain that the urban exodus will continue.

Discussion by T. Lynn Smith

Louisiana State University

I was asked to limit my discussion of Dr. Whelpton's paper to its sociological significance. Knowing how you Sociologists and Economists agree on the meaning of "sociological," I can feel secure that a discussion of the paper from almost any angle will be considered sociological by some of you.

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[8] Wayne W. Parrish: "What is Technocracy," *New Outlook*, November, 1932.

[9] Mimeographed press release, p. 3, issued November 15, 1932, by the National Advisory and Legislative Committee on Land Use and the National Land Use Planning Committee.

Dr. Whelpton, I am sure, has presented sufficient data to impress us all with the significance of the landward movement which is now underway and seemingly gaining impetus. The actual number of people migrating and the fact that the trend in net rural-urban migration in favor of the cities has been reversed, should convince every reasonable person of the importance of this migration because, as far as we know, this is the first time in the history of our nation that the net migration has been in favor of the rural regions.

The extent of the movement from cities to farms is so great that it is well to consider briefly some of its probable effects upon the social organization and processes of our society. At present questions which may be raised concerning this are of more importance than those which can be answered. All would probably agree, however, that it is important to know something of the fundamental characteristics and attributes of the migrants. Problems relating to this readjustment now taking place in population seem to me to be among the most important confronting the worker in Rural Sociology. It is very unfortunate that so little is known concerning the nature of such an important development.

Dr. Whelpton has indicated that the migrants probably consist largely of farm-reared people who have spent a brief period of time in urban districts. If this is so, it has an important bearing upon the facility with which the rural communities and institutions can incorporate the newcomers, and with which the newcomers can adjust to rural conditions, since cultural differences between the migrants and the stay-at-homes will be at a minimum.

But we need to know much more than this about the migrants. For example, information concerning how the sexes are represented would be very valuable and enlightening. If it is a fact, as seems reasonable and has been indicated by some studies, that unemployment has been more severe in the heavy industries such as building, steel and iron than in the lighter industries such as retail trading and personal service, then it seems likely that males preponderate among the migrants. If males out-number the females among those migrating, then the excess of males in rural districts is being increased, and the preponderance of females in the cities is becoming more pronounced. Such a tendency would further aggravate the serious social problems which have been brought about by the uneven distribution of sexes in the populations of city and country. It would have a bearing on the future trend of the birth rates to which attention was called.

Again, we need information concerning the ages of the migrants. How do they correspond in age with those who leave the farms? I infer from Dr. Whelpton's discussion that the younger and middle-age groups preponderate. If so, many of the problems arising from a dearth of people between 21 and 45 in the rural districts might be diminished. For example, it might not now be so easy to find a rural church with absolutely no male members between 21 and 45 years of age as it was a few years ago. The influx into the rural communities of a considerable number of people between 21 and 45 years of age should also greatly affect their crude birth and death rates.

Let us return again to the question of the migrants being those who formerly resided in the country. If the migrants are primarily those with

former experience in rural regions, interesting questions arise concerning the nature of the selective processes which have been at work. Is there, for example, something about the training instilled and the mind-set developed in a rural environment, which makes those who have been subjected to such influences less willing to subsist in straightened circumstances upon the meager fare supplied by public and charitable agencies than those who have been conditioned by an urban environment alone? If this is not the explanation, can we determine the nature of the mechanisms which are doing the testing and selecting?

Age, sex, and birthplace are but three of the attributes worth considering. Important problems and questions likewise hinge about the educational and marital status of the migrants. The factors of religion and nativity may also be playing significant rôles in the selective process. Only after adequate information concerning all these attributes is at hand, can an intelligent analysis of the problem be made, and valid inferences drawn.

The movement also has important implications concerning the diffusion of culture from urban to rural areas and from one rural area to another. Even though the migrants may be primarily of rural origin, they have been for a time subjected to the conditioning influences of the city environment. If a migrant has married and takes a mate back with him, the chances are that the mate is either from the city or from some other rural area. In either case the fundamental behavior pattern doubtless contains elements or traits greatly in contrast, or even in conflict, with elements in the community's pattern of life. Perhaps we might say that the cultural horizon of the migrants is broader than that of the stay-at-homes. When these varying or conflicting traits are present in the same small rural community, a readjustment is necessary. It may take place in several ways: (1) The migrants may conform to the patterns of behavior present in the community; (2) the community's pattern of behavior may be changed somewhat to allow for the traits of the migrants, (Dr. Whelpton suggested this was occurring with regard to birth control); or (3) active social conflict and complications may set in. In any case the rural community becomes more heterogeneous and more similar to the city. We might say, then, that the present trend is making rural-urban differences less pronounced.

A word might be said concerning the effect upon the city. A purely urban population has seldom if ever existed. The population residing in a city has always contained large numbers of people from rural districts. Indeed it is doubtful if a city could ever have survived without the migrants supplied by rural regions. If a situation has arisen in which the net migration is unfavorable to the city, the development will have great interest and significance for the sociologist (even though no funds are to be had for making researches into the problem). With migration carrying away the rural elements from the city, the mixture there is becoming more urban. This presents an opportunity of studying the effects of a more purely urban environment than has heretofore presented itself.

I cannot subscribe to the opinion that these migrants will return to the city at the end of the present depression. The new technological devices introduced into industry are constantly calling for younger and better trained men even at a time when many old hands are being laid off. Dr.

Whelpton has shown that the city-ward migration was heaviest in 1922. If these people are returning to the farms, they are already ten years older than when they migrated to the cities. Even though a gain in employment should set in immediately it seems to me it would not be so important for these migrants as for two other classes of rural-reared people: (1) The young men and women now being trained in universities and colleges, many of whom would be employed in urban industries; and (2) men and women ten years younger living in the country who would receive preference over the migrants now returning to the land.

Discussion by E. H. Wiecking

Bureau of Agricultural Economics

Dr. Whelpton has given an excellent analysis of the so-called "new" landward movement. This is a difficult task for in the experience of the Division of Land Economics so many of the data needed for an adequate analysis are completely lacking or are fragmentary and inadequate. I am speaking here of data on the nature and character of the movement. Doctor Whelpton has done an excellent job indeed of getting together and utilizing these scattered but indicative data, but yet has carefully refrained from undue generalization upon them. One of the great needs now is more and specific information about this back-to-the-land movement which can hardly fail to receive still greater public attention next Spring, with the unemployment situation apparently growing worse and the drain on urban relief budgets steadily increasing.

Dr. Whelpton has well brought out the forms in which the movement has manifested itself, varying from farmer's children going back to live again at home, to those unemployed who have struck out for themselves in log shacks of their own construction. There are, of course, very few data on the extent of each type.

Attention has very properly been called by Doctor Whelpton to the burden and problems which a large influx from the cities raises for rural areas into which these people go. Farm leaders have emphasized this a great deal and rightly so. Those problems are very real, and farm leaders are well within their rights in insisting that there shall be no "dumping" of population from the cities upon the country. The growing strain on urban relief budgets, we suspect, will be a significant factor in the encouragement of the back-to-the-land movement. It would seem only fair to all concerned, including the unemployed themselves, that the problem be handled as a joint responsibility of city and country, and that the city not be permitted to wash its hands of all concern when once the unemployed have been placed outside its borders. On the other hand, the inevitability under existing conditions of at least a part of the movement must be reckoned with by rural groups. In this connection Doctor Whelpton rightly stressed the point that inadequate as are the returns in subsistence farming, that alternative may be better than anything else open to the city unemployed, and the urban exodus as a consequence may be expected to continue. What, therefore, is needed is guidance and direction, and an appreciation of the limitations as well as of the possibilities. As an example of the lack of appreciation of the limitations, one could cite hun-

dreds of letters coming to the Division of Land Economics from persons now unemployed who want to go on the remaining public domain. The National Land-Use Planning Committee and the National Advisory and Legislative Committee on Land-Use, as many of you may know, issued a brief report on the problem early this year, and made recommendations which subsequently were embodied in Senate Joint Resolution 169.

The statement was made that the transfer of thousands of persons from the city where most food is purchased to the village and country where much food is raised, is having an important effect in reducing the size of the market open to the commercial farmer. This statement is often made, but I wonder just how far it can be carried, and just how much, on net balance, of a depressing effect the countryward movement in and of itself alone has had or will have. This is an important question because the attitude taken by many people is conditioned by it. It might well be given more study.

The observation made with regard to the effect of the landward migration upon the national birth rate is interesting indeed. We have heard considerable comment to the effect that increase in migration to rural areas will retard the decline in the national birthrate because birthrates in rural areas, according to the records, are higher than in urban. It may not be proper for one not a student of population to criticize this view, but it has always appeared that this argument proceeded too much on the basis of pure analogy.

A point which Doctor Whelpton might have mentioned as to some of the effects which the movement has had to date, is the revival of all sorts of colonization and land settlement schemes. The protective problem has been intensified, both of preventing unfair advantage being taken of the plight of the unemployed, and of the inexperienced and ill-informed misleading themselves.

Those whose job it is to aid in the formulation of policies to cope with the problem would be grateful indeed for all the advice possible on the future character and extent of the movement which Doctor Whelpton has also dwelt upon in his paper. One specific question which I should like to ask is to what extent existing opportunities for going in with farm families, for occupying abandoned buildings, and similar of the more readily available avenues of escape have already been utilized. Have those with country connections and with the means to go back pretty well done so already? If they have, then will not the character of the movement change somewhat, and be marked by a greater proportion of people without rural backgrounds or connections, and by a greater resort to organized efforts to place people on the land?

In his discussion of the future of the movement, Doctor Whelpton did not dwell much upon the place of part-time farming. By part-time farming is meant the sort of thing that has been going on in New England and the Northeast for a decade already, i.e., the moving of persons out to places accessible to their city work, and large enough for a garden, chickens, perhaps a cow, etc. I believe it is Doctor Gray's view that this sort of development will not only continue but it is a sound type of enterprise for meeting the growing demands for relief to the urban unemployed through placing them on the land.

Discussion by L. C. Gray

Bureau of Agricultural Economics

Since Mr. Wiecking has discussed the qualitative aspects of the landward movement and the Land Use Planning Committee has issued a statement which analyzes its significance, I shall confine my remarks to one or two supplementary points mainly with reference to the statistics of the movement.

The greater part of Dr. Whelpton's paper is devoted to a summary of the general trends in farm population as shown by the Census and annual estimates by the Bureau of Agricultural Economics, and changes in the nonfarm rural population indicated by the Census. There is little in this section of the paper that invites comment. While undoubtedly aware of the limitations of the annual estimates of movement of population to and from farms—limitations inherent in the method of assembling the data and frankly recognized by those who make the estimates—Professor Whelpton apparently concludes that they indicate correctly major tendencies, and largely bases his analysis on the statistics. I am inclined to agree with this judgment.

It may be well to emphasize one thing shown by the figures that is not brought out in the paper. The great change from a net movement away from farms to a net movement to farms is not due to a material increase in the volume of movement to farms since 1929 as compared with the movement in the years 1927 to 1929, for there was little increase. The net change was due almost entirely to the great decrease in number leaving the farm, which was 600,000, or nearly 30 per cent, less in 1931 than in 1929. Naturally the virtual impossibility of obtaining a job in the cities or of living there on the income available to retired farmers caused hundreds of thousands to remain on the farm who otherwise would have become urban dwellers.

The fact that the movement to farms was but slightly larger than before the economic collapse of 1929 is surprising in view of the great amount of noise about the back-to-the-land movement, which is apparently confirmed by individual observations such as Dr. Whelpton presents in his paper. A number of explanations occur to me. It is possible that the comparatively slight increase in number of persons moving to farms in 1930 and 1931 as compared with the average for the three preceding years, together with the considerable amount of talk about the possibilities of unemployment relief by this means was given such wide publicity as to convey the impression of an increase in the movement beyond that supported by the available statistics. Again, an analysis of the figures on movement of population to and from farms, already referred to suggests that for a number of years prior to the depression beginning in 1929 it was becoming increasingly difficult for farm people to find placement in other occupations—that "coming events cast their shadow before." Dr. Galpin's statistics show that the decrease in the number leaving during the depression years was a continuation of a declining trend which began in 1927. The same group of statistics shows that the trend in number of persons arriving at farms from cities had been increasing steadily since 1920, the initial year for the series. During the three years, 1927 to 1929, there was an acceleration of the tendency, the average being more than 15 per cent above the

average for the three years, 1924 to 1926 inclusive. It is possible also that a slight improvement in the relative economic position of the farming industry in the years 1928 and 1929 as compared with the two preceding years may have exerted some influence toward retarding the movement from farms and stimulating the opposite movement.

Mr. Whelpton makes the interesting suggestion that increasing acquaintance with contraceptive methods is operating to reduce the rural birth rate. I think this is probable, in spite of the long recognized economic premium on children, a premium which has undoubtedly been greatly reduced by the progress of mechanization.

I am in disagreement with one minor statement on page one of the paper—possibly made inadvertently—that "the changes in distribution of people between the 1920 and 1930 censuses represent the effects of good times, in fact of a period of rising prosperity." This may be correct as applied to urban populations, but the period is generally regarded as one of depression in agriculture.

RECENT DEVELOPMENTS IN PROFESSIONAL FARM MANAGEMENT IN THE UNITED STATES[1]

D. HOWARD DOANE
DOANE AGRICULTURAL SERVICE

As far as I have been able to determine, the first definite recognition given to Farm Management in the United States by any of the recognized agricultural organizations was by the Government in the creation of the Office of Farm Management in 1904 with Professor W. J. Spillman in charge. It was a subdivision of the Bureau of Plant Industry under Dr. Galloway.

It is probable that professors in our agricultural colleges were teaching Soil Farm Management, Crop Farm Management, and Stock Farm Management about the same time. I took such a course under Professor F. B. Mumford during 1906-8. He first offered the course in 1905-6. In 1905, as a student, I wrote Professor Spillman that Missouri needed some Farm Management work and he sent me, during my sophomore summer in 1906, to northeast Missouri to make a farm management survey of that region. I received a Masters Degree, majoring in Farm Management in 1909.

On June 2, 1910, the Board of Curators of the University of Missouri created a department of Farm Management of equal rank with other departments in the agricultural college. I was placed in charge as Associate Professor. This was the first full department in any of our agricultural colleges, I believe.

Professor Warren was teaching Farm Management and Farm crops at Cornell in 1907 and in 1910 his department was made the Department of Farm Crops and Farm Management. The next year an independent department of Farm Management was created.

From this time on, Farm Management continued to develop and other departments were established rather rapidly for the next eight to ten years. At Missouri, one form of the work which was jointly conducted by the United States Department of Agriculture and the college was the establishment of farm management demonstration farms. We had some thirty or more up to about 1916. In the handling of these properties, I found myself saying: "If we can do it for a farmer free through public agencies and if it pays, why not do it for pay?"

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[1] This paper was read at the Twenty-third Annual Meeting of the American Farm Economic Association, Cincinnati, Ohio, December 28, 1932.

In 1916 I left college and government work and became associated with a bank in St. Louis. There we organized what was called a rural service department through which we managed farms for clients of the bank and others. This was not liquidation management for we knew not the term in those days. It may be interesting to know that the Doane Agricultural Service is still rendering service on the first farm we managed in 1917 and for the same woman owner. Of recent years we have aided in the purchase and development of a farm for her son.

In the spring of 1919 I left the St. Louis bank and became associated with the owner of a large tract of land in southeast Missouri. In the late fall of 1919 the Doane Consulting Service was organized. As far as I know, this marks the beginning of what we today call Professional Farm Management. Our work was independent of any individual client and we accepted management assignments from all sources. In 1922 I moved to St. Louis, dissolving the partnership with my brother in the Doane Consulting Service and called my work the Doane Agricultural Service.

Other Services

The first facts I have of others undertaking professional farm management go back to about 1920-22. Mr. Stanley F. Morse of New Orleans was assisting sugar planters with certain phases of their problems. He had an independent organization. Mr. D. C. Wood now of the Missouri College of Agriculture, was associated with him. I have not attempted in this brief survey of the history of farm management to exhaust the field of historic facts. I am simply passing on my memory of the few associations I had with it and these, with the many others that must be available, should some day be written into the authentic history of farm management in the United States.

It is hard to draw a sharp line and say this is professional or commercial farm management and this is not. The early management of farms by members of the departments of farm management of our agricultural colleges was a true type of farm management. Its chief difference was that the service was free. Individuals were doubtless employed by banks, railroads and other organizations to manage farms for them, and so they were in the field. It probably would be most logical to say that professional farm management started when one or more men, independent of any other organization, began accepting management responsibilities on farms owned by more than one person or or-

ganization. If this marks the dividing line, then as far as I can determine, professional farm management started in 1919.

Let us skip over the period 1920 to about 1925-27 by saying that it was a time of rather slow development in professional farm management but a few were gradually taking up some phases of it in various sections of the country. In 1926-27 it was gradually becoming evident that old systems of farm management were not producing results. Land owners were asking questions and listening to the answers. This opened the field to those who said they could manage farms and make them pay. Also owners of farm mortgages found them turning into farms and this created another field for management. It is our feeling that it is this latter factor that has played an important part in hastening the development of professional farm management. At this moment it is probably the dominating influence, but not in our opinion the most solid aspect of our business. Our work as professional farm managers must rest, in the last analysis, on our ability, to make a normal farm pay a fair return on the invested capital when prices are relatively stable and on a fair parity with other products and the necessities purchased by farmers.

The Work of Professional Farm Managers

Mr. Clarence Poe, a graduate student under Professor Lloyd at Purdue has made the most thorough study of professional farm management that I have seen. He found fourteen individuals or organizations in Indiana, Illinois and Missouri who have gone far enough with their work to be able to outline their organization and tell something of their results.

He reports that all stated that they organized to meet or fill a need, as expressed prior to organization. Six were privately owned and operated and eight were associated with a bank or some other organization.

Ten of the fourteen organizations spent all of their time on farm management work. Others had some side line such as insurance or real estate. The idea of side lines is not generally approved by professional farm managers.

There are two general divisions to management. Liquidation management, which refers to farms taken under foreclosure, constituted 27.7 per cent of the total number of farms managed. The remainder were in a permanent management division.

One of the fourteen organizations reported upon, handled over 200,000 acres out of the 340,000 handled by the entire group. Most

of the organizations were handling from 2400 to 5000 acres. Only four of the group hired assistants. Some hired part-time men, the larger organizations hiring from fifteen to twenty persons.

Most of the farms were handled on a crop share basis with tenants. Eighty-nine per cent of the total came in this class. It appeared that no resident owner-operator used full management service. These farmers do, however, use some advisory or part time service. The most common type of contract between manager and owner is the one-year continuous type with a clause providing for cancellation on sixty to ninety days notice. Management charges varied widely. The most common plan was to charge on a per acre basis. A dollar per acre per year on farms operated by tenants seemed to be the approximate maximum. This varied, however and many were charging as low as 75 and 50 cents per acre. Some charged on the basis of a per cent with a flat guarantee. Charges for management of livestock farms ran as high as $1.50 per acre. For those interested in this subject the thesis referred to is well worth studying.

Advantages of Professional Management

An attempt has been made to state the advantages of this type of management as contrasted with employment of an individual manager. Ten such advantages are listed as follows:

1. Cooperation of several experienced minds on creating a definite plan with just enough flexibility to provide for changing conditions.
2. Continuity of plan and service in spite of changing individuals.
3. Better perspective of manager who although in close touch with the farm is far enough away not to let his major decisions be based on the local outlook.
4. Greater marketing efficiency which comes from a closer personal touch with at least one market and adequate contact with other markets.
5. Greater buying efficiency through large combined orders and wholesale connections.
6. Better efficiency in meeting supervision and labor emergencies through shifting men from one farm to another.
7. Greater ability of the organization to attract and hold men of ability through opportunities for advancement not possible in individual management.

8. Major decisions are usually met by the combined judgment of several experienced men, each with a different point of view, this without dividing responsibility.

9. Greater facilities for making monthly reports and handling correspondence since the stenographic and other office help involved can be carried by spreading the cost over a number of farms, thus reducing the overhead.

10. The handling of farm accounting at less cost and increased efficiency since one accountant can keep the books on several farms, again spreading the overhead.

Type of Service Offered

Time prohibits a detail discussion of the various types of service offered by professional farm managers. They may be briefly listed, however,

Regular Farm Management
Liquidation Farm Management
Estate management
Regular or Normal Appraisals
Sales Appraisals
Management Appraisals
Condemnation Appraisals
Special Reports and Investigations
Special Soil Studies
Drainage Appraisals and Reports
Timber Cruises and Reports
Farm Accounting
Special Auditing
Establishment of an Accounting and Reporting System
Farm Audits
Industrial—Agricultural Surveys and Reports
Farm Building and Construction
Purchases and Sales
Employment Service
Farm Sales Service
Management of Loans
Special Instruction, Talks, Speeches, etc.
Technical Agricultural Advisor work to Institutions and Individuals
Agricultural Sales Campaigns
Preparation of Agricultural Literature

Perhaps the most interesting aspect of this whole work is to hear the details of the services performed by these men. It unmistakably shows the very wide field of endeavor. A few very simple illustrations might be given. One firm is handling the en-

tire farm loan investment portfolio of individuals and organizations. This includes loans in good standing, delinquent loans and foreclosed farms. When it becomes necessary to make foreclosures they handle all the details without additional fees and expenses. On the basis of about 100 foreclosures within one year the actual cost for advertising, trustee's fees and all else was less than $10 per farm.

The use that these men have made of settlements for drainage districts and borrowers using the crop index as a basis for a new contract is one of the most striking illustrations of how well qualified men can approach a semipractical scientific problem and work it out in a practical manner.

Future of Work

Of course, it is impossible to state just what the future of this work will be. It has undoubtedly grown rapidly in the last two to three years on account of the difficult farm loan situation which has developed. It is the feeling of most of us that this does not represent the true and permanent field for this type of work. We feel that we will prosper only when agriculture prospers, that good times will not eliminate us simply because it is easier to make money farming. This is unquestionably a correct viewpoint if we assume that the service rendered is of true economic value.

A study of the work of those individuals and organizations that appear to be on a sound basis and have been organized long enough to test out the theory shows that the business can and does grow even during the periods when other types of business seem to falter and fall by the way-side. If I might interject my personal view at this point, I would like to say that when we started our work we had many grave doubts as to the direction in which it would go and the place that it might hold. Time has removed both doubts. It is my feeling that the greatest opportunity that farm management has ever had is still ahead. There is no end to the breadth of opportunities and certainly history has never indicated that there is a limit to the quality of the work that man can perform. I am a firm believer that when the last chapter has been written it will contain the statement that after all, "There is more in the man than there is in the lan'."

Discussion by P. E. Johnston

University of Illinois

You have just heard a very interesting, as well as instructive, account of the early history of professional farm management in the United States. We are indeed fortunate to have had this bit of history from one who through personal experience is so well qualified to give it. It is unfortunate that Mr. Doane did not have time to present more of the facts pertaining to the present-day problems confronting those who follow this new and interesting profession.

It is well to keep in mind that the professional managers have taken steps to define their field carefully and to organize their group. At the annual meeting of the American Society of Farm Managers held January 14, 1931, a code of ethics and definition of terms was adopted for the guidance of the group. The following code of ethics is indicative of the high standards:

> "As a farm manager I subscribe to the following code of ethics indicating that I believe it to be unethical for a farm manager to:
>
> "Use advertising which tends to be misleading in its claims.
>
> "Employ an agent whose primary activity is in securing new business rather than in rendering service to clients.
>
> "Making reports or appraisals in more than one section or division, thus making it possible for the client to use only one part in a manner contrary to the facts and thus making it possible to harm the buyer. When supplementary reports are necessary, this fact shall be clearly shown on both the original and supplementary reports.
>
> "Render reports or appraisals on a predetermined basis including values, descriptions or records when actual investigation might reveal contrary facts."

There are many ideas in Mr. Doane's paper which are worthy of further consideration, but none more fundamental than the following which outlines clearly the foundation on which the profession is built: "Our work as professional farm managers must rest, in the last analysis, on our ability to make a normal farm pay a fair return on the invested capital when prices are relatively stable and on a fair parity with other products and the necessities purchased by farmers."

In other words, the business of farm management is no different from any other kind of a business and those organizations will survive which are able to manage farms so that net incomes are increased over what they would have been without the management and after the customary fees have been deducted as one of the operating costs. Since most management firms are new, it is too early to know which will succeed and which will fail. There will undoubtedly be as much variation in the earnings of farms operated under commercial management as in those operated by individuals.

The present depression has altered materially the character of the work being done by commercial managers. In the last three years there has been an increase in that phase of the business known as liquidation management, and a decrease in that type of business which has as its goal the securing of increased farm profits over a period of years and which includes a program of soil improvement, land clearing, drainage, a better balanced cropping system, and in many cases the building up of herds

of high quality livestock. Under more normal economic conditions the soil building program, with legumes and livestock, is one of the important avenues through which the commercial manager may serve his clients since it is the run-down farm which most often falls under his supervision. It is also true that on farms of this kind managers have the maximum opportunity to show a high return for their services.

It is important to take into consideration the influence of low farm earnings on the ability of managers to serve their clients. A study of farm records indicates that the range in earnings is not as great now as in former years when average earnings were higher. For a group of central Illinois farms the difference in net farm income between the most profitable one-fifth and the least profitable one-fifth was $3,400 per farm in 1929 as compared with a difference of only $2,400 in 1931.

Further light is thrown on this point by a study which indicates that, of the factors which were accounted for as responsible for variations in farm earnings, commercial managers could influence about 40 per cent of these under a grain lease and about 70 per cent under a livestock lease. It must be recognized that the commercial manager can dictate only a portion of the practices which have an influence on farm earnings. The man who operates the farm is a very important factor in the farm's success and, particularly under a grain lease, continues to make many decisions for himself since there are portions of the business over which the landlord, through his manager, has little if any jurisdiction. With the grain lease it was assumed that a manager could increase earnings by his influence over: (1) Crop yields, (2) the marketing of the landlord's grain, (3) the purchase of supplies paid for by the landlord, and (4) the cropping system. The items of importance over which he had but little control were: (1) The amount of livestock, (2) the efficiency of livestock, (3) man labor efficiency, (4) efficiency with power and machinery, and (5) size of business. On the livestock farms the manager can influence, in addition to those factors mentioned under the grain lease: (1) The amount of livestock, (2) the efficiency of the livestock, (3) all of the increase from efficient selling, and (4) half of the power and machinery efficiency. It is therefore evident that a manager has almost twice as much opportunity to increase earnings under a livestock lease as under a grain lease.

It is also true that a soil building program through the use of limestone, legumes, phosphate, and manure calls for a capital outlay which about 90 per cent of the landowners are either unwilling or unable to make at the present time. Under conditions of this kind the services which a manager can render through a grain lease system are materially reduced. Records indicate that the opportunities are curtailed about 60 per cent, and a tabulation of opinions by professional managers in Illinois indicates that their experience checks with this finding.

If this situation is general, then managers, particularly on grain lease farms, have lost, for the present at least, some of their best opportunities to serve their clients and these opportunities will not return until the purchasing power of farm products has been materially increased. When such a time comes, those management organizations which are efficient will be able to increase their volume of business. In the meantime, however, the liquidation business will serve to make up for the loss of the

farms where not enough capital is available to make possible efficient operation.

While the present situation contains many perplexing problems for the commercial manager the future of the business is brighter than the discussion thus far would indicate. Farm accounts show, even for 1931, a tremendous range in earnings which is due to factors over which the operator has control and even though the commercial manager can influence only a portion of the factors which are responsible for variations in earnings, the efficient manager can still show improvements in excess of the cost of his services. Professional managers have furthermore demonstrated, by the high standard of ethics adopted by their national organization, their intention of giving to the public a high class of service. The constructive attitude with which they have attacked their problems and the results which they have secured to date speak well for them, and promise much for the future.

CHANGES IN ORGANIZATION AND IN FARM PRACTICES THAT HAVE RECENTLY BEEN EFFECTIVE ON PROFESSIONALLY MANAGED MID-WEST FARMS[1]

WALTER W. MCLAUGHLIN
THE DECATUR FARM MANAGEMENT, INC.

In these strenuous times more than ever before everyone in any way connected with agriculture is beginning to realize that if farming ventures are to survive, the very best in farm management must be known and practiced. A professional farm manager, if he would survive, must over a period of years show a profit. We are fully aware that for the year 1932 the profit on many professionally managed Mid-West farms will be a negative quantity, nevertheless we are making a desperate struggle for a profit and on the farms where a profit this year is not possible we are trying to so manage them that over a period of years they will show a profit. We must do this or fall by the wayside. We are approaching this problem from two different angles: First—we are attempting to cut production costs to the very lowest possible figure and second—we are trying to increase the production per acre or per unit of livestock so that it will be materially above the average.

A questionnaire was sent out recently to several professional farm managers in Illinois. A summary of the replies received from twelve of these managers revealed the fact that the average opinion of these managers was that 67 per cent of the added net income to the farm due to their management is the result of increased production and 33 per cent is the result of lower operating costs. We made a further analysis of these questionnaires to find out the manner in which these farm managers increased the net farm income on the farms under their management. Twenty-two different items were mentioned in these reports and there was a surprising degree of uniformity in these replies as to the changes and practices which are most important. The replies showed that the ten most important items listed in the degree of their importance are as follows:

1. *Use of improved cropping systems—*
   A high percentage of land in high profit crops, increased use of sweet clover and alfalfa, a good balance between grain crops and legumes.

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[1] This paper was read at the Twenty-third Annual Meeting of the American Farm Economic Association, Cincinnati, Ohio, December 28, 1932.

2. *Soil improvement—*
   Testing for limestone and phosphate and their use where practical, use of commercial fertilizers; better use of manure and stack bottoms.
3. *Seed corn selection and preparation—*
   Use of high yielding varieties, selection, storage, testing, etc.
4. *Seed bed preparation and cultivation—*
   Persuade tenant to work fall plowing early in spring, work spring plowed ground immediately after plowing, use adequate and shallow cultivation of row crops, cut weeds and burrs out of corn; plow early for wheat and get solid seed bed.
5. *Land drainage—*
   Providing of tile and ditch drains, preventing erosion, terraces, etc.
6. *Fields re-arranged—*
   To get a more economical use of fences, to get better shaped fields and to facilitate the operation of a definite rotation.
7. *Clover and grass seed—*
   Purchase of high-grade seeds of high germination and free from weeds.
8. *Livestock Management—*
   To secure efficient feeding, breeding, care, and sanitation so that livestock production may be efficient and to secure for the livestock so produced the best possible market.
9. *Purchase of feeder stuff—*
   Extent to which profits are added through the wise selection of the right quality of feeder cattle, hogs, and sheep at the right time and at the right price.
10. *Small grain seed selection and preparation—*
    Use of high-yielding strains, testing, and treatment for disease.

In analyzing the ten practices we find four require no additional expense and have a tendency to reduce production costs. We find three that require only a small amount of additional cash outlay and three that require the outlay of considerable new capital. In the time allotted me on this program I shall endeavor to discuss briefly only four of these practices:

1. Seed corn selection and preparation.
2. The use of an improved cropping system.
3. Soil improvement by use of phosphate fertilizer.
4. The change from a grain to a livestock system of farming.

Seed Corn Selection and Preparation

In the section of the country which I represent, corn is the major crop and we have found that we are able to increase the yield per acre of corn very materially by the introduction and use of ear-tested, disease-free seed. The cost of this practice is not prohibitive even under present conditions. Immediately upon

taking over the management of a farm we make a careful survey of the seed corn being used on the farm. If the quality of this corn is good enough to justify us in so doing we make a careful selection of this corn and have it tested for disease. If the quality is poor we then purchase at the owner's expense one or more bushels of disease-free seed. From this start of good seed we can field pick sufficient seed for the following year's entire crop. After the seed is selected and dried carefully we send it to the Seed-Testing Laboratory where every ear is tested for disease. This service costs us about 2 cents per ear. Our lease provides that the cost of this testing shall be divided so that the landowner pays for the testing of all disease-free ears while the tenant pays for the testing of all discarded ears. This plan encourages the tenant to do a careful job of selecting his seed corn because every bad ear which he sends in to the laboratory costs him money.

We have found by checking results carefully over the past few years that disease-free seed has not only given us a very satisfactory increase in yield but has improved the quality of our corn as well. In 1928, 20 bushels of disease-free seed was distributed to 20 different farms under our management. This seed was planted side-by-side with the tenant's own seed. That fall a careful check of the yields was made on these twenty farms and we found an increase in yield due to the seed corn of from 2 to 11 bushels per acre, the average increase for the twenty farms being 5.6 bushels per acre.

In 1930 some very interesting data were secured the first part of February when eight lots of our 1929 crop of corn were delivered from eight different farms under the management of F. D. Baldwin of our organization. These farms are located in the district of Millersville, Illinois. It should be stated here that on account of unfavorable weather conditions that fall and winter the average corn in that district graded No. 4 or below. The corn from four of these farms was practically all from disease-tested seed and showed test weights of 55 and 56 pounds per bushel and moisture readings of 17 to 17.5 per cent. This placed the corn in No. 3 grade. The corn from the other four farms was produced from untested seed corn and when delivered showed test weights of from 50 to 52 pounds per bushel and moisture content of 18.2 to 19 per cent, placing it in the No. 4 grade. As No. 3 corn commands a premium of 2 cents per bushel over No. 4 corn and as 1 bushel of seed will plant 8 acres one can

readily see that for corn that produces 50 bushels per acre a profit of $8.00 is the result from the 1 bushel of seed if quality alone is considered. Crop records for the eight farms, however, showed that the disease-free corn that year averaged 8 bushels to the acre more than that produced from the untested seed, and our profit from the bushel of seed in 1930 after deducting for the extra husking charge amounted to $57.92. If we bring the figures down to date and figure the corn at 20 cents per bushel the profit from the bushel of good seed would still be $20.80, therefore, the practice of using disease-tested seed is proving effective on the farms under our management.

The Use of an Improved Cropping System

An improvement in the cropping system can almost always be made on any farm without any additional outlay of capital. Under this heading I will only discuss one important change which we are making. Prior to 1925, oats had played an important part in our rotation, but since that date oats have been largely replaced by soybeans on many of our farms. These soybeans are harvested with combines. Nothing but the seed is removed from the field, and being a legume they leave the soil in better condition than does the oat crop. In addition to that they are a more profitable cash crop than oats. I made a summary of our 1932 results on seven farms on which this change has been made from oats to soybeans. On these seven farms we had 553 acres of soybeans, which yielded a total of 14,378 bushels of beans, or an average of 26 bushels per acre. We sold the beans at 45 cents per bushel and received an average gross return per acre of $11.70. At this year's prices it would have taken an average yield of 117 bushels of oats per acre to have been equal to the value of our soybean crop. Of course, the cost per acre of growing beans is greater than that of oats, but in spite of this additional cost the beans are more profitable. Therefore, this change from oats to soybeans has been effective on many farms under our management.

Soil Improvement by the Use of Phosphate Fertilizer

Another practice which has proven to be effective on a limited number of farms is an application of 500 to 1000 pounds of rock phosphate to wheat ground in the fall, working it into the surface soil before the wheat is planted. You will note that we are using phosphate only on a few farms, not because the other

farms do not need phosphate, but because only a few of our landowners have the extra money to invest at the present time. We do have as clients, however, a few business and professional men who have recently purchased farms and who have extra money with which to finance their farms. It is on farms of this class that we are using rock phosphate providing soil test shows phosphate to be needed. We made a careful check of our phosphate results on four different farms in 1930. The following are the average results from the four farms:—

Phosphate applied per acre	Yields per acre-bushels	Increase per acre-bushels	Value of increase @ 80c bu.	Cost of fertilizer
625 lbs.	29.95	10.15	8.12	4.69
Check Strip	19.18			

At 1930 prices this phosphate paid for itself and showed a profit the first year. However, the benefit of phosphate extends over a period of years.

In 1931 we made another test, using 1000 pounds per acre of rock phosphate on soybean ground which was followed by wheat with the following results:

Phosphate applied per acre	Yields per acre-bushels	Increase per acre-bushels	Value of increase @ 45c bu.	Cost of fertilizer
1000 lbs.	25.7	9.9	4.45	7.50
Check Strip	15.8			

In 1931 the increase of 9.9 bushels per acre was not sufficient to pay for the phosphate but this ground was seeded to sweet clover which was plowed under for corn in 1932 and the ground which had 1000 pounds of phosphate yielded 10 bushels more corn to the acre this year than the check strip. Therefore, I feel sure that if taken over a period of years the investment in phosphate will pay even at present prices.

The Change from a Grain to a Livestock System of Farming

In central Illinois a vast majority of the farmers are primarily grain farmers. By grain farmers we mean those who are securing 60 per cent or more of their total income from the direct sale of grain. Among these grain farmers we find many who keep only sufficient livestock for their immediate family use. We are now managing approxiately 17,000 acres of land made up of 84 tenant-operated corn belt farms. These were all originally

grain farms but during the past three years we have changed 18 of these, or 21 per cent, to livestock farms and are now operating them on what is known as a 50-50 livestock lease.

Under the terms of this lease, as we use it, the landowner furnishes the land and permanent improvements and pays for the services of a professional farm manager. The tenant furnishes the work horses, power, machinery and labor. The owner and tenant jointly furnish all productive livestock. All livestock, including the tenant's work horses, are fed out of the undivided feed and all livestock expense, except on work horses, is shared jointly. No cash rent is charged the tenant but the net returns from all products sold from the farm are divided equally between the landowner and the tenant. We expect to continue this process of gradual change from a grain to a livestock system of farming. We are finding that it works out very satisfactorily provided we have the right kind of a tenant. By the right kind of a tenant we mean one who is above the average in intelligence, who likes to work with livestock, who has the right kind of a helpmate for a wife, and who will cooperate 100 per cent with his farm manager in carrying out the best that is known in a livestock management program.

The qualifications that a tenant must have before we will put him on a livestock lease may seem rather rigid but it is necessary that they should be. One can lose money much more quickly on a livestock farm than on a grain farm and we refuse to make the change unless we have the right kind of a cooperator on the farm. In other words, we do not feel that livestock farming is a cure-all for the present agricultural situation.

A recent study made by the Farm Management Department of the University of Illinois revealed that the co-efficient of variation was greater on the livestock farm than on the grain farm. In other words, there was much greater variation in earnings. It is due to this wide variation that we are going so slowly in our process of change to livestock farming. We are trying to manage these livestock farms that the returns from them will be much above the average. In times like these one must be above the average to survive.

On all of our livestock farms we have hogs as a major enterprise. In addition to hogs we have either a dairy enterprise or a steer feeding enterprise, and on some of the farms we have both. Last year we fed mostly choice calves which cost us $6.35 a hundred in August, 1931, when their average weight was 515

pounds, and sold for \$8.75 a hundred at an average weight of 1003 pounds in June. This year, however, we are feeding altogether a medium grade of cattle which cost us from 3 cents to $3\frac{3}{4}$ cents per pound. Our early farrowed pigs this past season sold in September for around $4\frac{1}{2}$ cents a pound.

A preliminary check on our livestock farms for all livestock and livestock products sold to date in 1932 shows that we have received approximately \$180.00 in return for each \$100.00 worth of feed fed to livestock. Therefore, this change in practice from a grain lease to a 50-50 livestock lease has been effective on the limited number of farms on which it has been made.

In closing, I should say that the things which account for the differences in earnings on tenant farms are, after all, no different from those that account for the differences in earnings on owner-operated land. The problem is to get the landlord and the tenant to accept a good system of farming, which is handled in as efficient a way as possible. I have not, of course, exhausted the means by which this can be done. I have merely tried to set forth a few of the more constructive changes in practices that have been effective on Mid-West farms. There is nothing unusual about any of these practices, but what we are trying to do is to put them all into practice on the farms under our management. If we can succeed in doing this that will be unusual. In the Mid-West where there is so much tenancy and so much absentee ownership of land, there is a human need for the farm manager. Those managers who are able to supply this need will succeed. Thought, and not money, is our real business capital, and we believe that by putting new thought into these old and new farm practices the professional farm manager can be more than worthy of his hire.

RECENT CHANGES IN ORGANIZATION AND FARM PRACTICES[1]

HUDSON BURR
ÆTNA LIFE INSURANCE COMPANY

May I approach the topic, "Recent Changes in Organization and Farm Practices," quite largely in the light of the farm management experience had by our Company during the past few years? Due to the brief time available may I rather specifically limit my comments first, to the "organization" factor of the subject as applied to our own salaried farms in Indiana and Ohio, and second, to the basic theme of "adequate supervision," which we carry through all of the important divisions of our management program, whether we be dealing with actually owned farms, loans in the process of foreclosure, delinquent loans, or those entirely in good standing? For in this important respect we hold very definitely to the opinion that under present conditions it is extremely difficult, if not actually impossible, to discern where, insofar as management is concerned, a so-called live loan shades off into a foreclosure, or a foreclosure in turn shades into a farm. While it is realized this may be a situation peculiar to the handling of an insurance company's entire farm portfolio, yet we believe the complete supervision of all loans should rank well toward the top in importance among needed changes in management practice.

The comments which follow in regard to our hired man or salaried operation, are based on our experience which it so happens was commenced some five years ago in Ohio and Indiana. We started this program already owning a considerable number of farms, many of which were large for this territory, without tenants, without adequate buildings, and quite completely without any of the elements of supervision. Conditions in 1927 and 1928 were very different from the present and it was usually impossible to find a well equipped tenant. It was principally for these reasons, therefore, that we started actual operations, paying hired men a monthly wage. During the first year we undertook to farm 100 of the most suitable places, both from an income and re-sale standpoint. Necessary repairs to buildings and fences were made, cattle barns and machine sheds were built, and we soon embarked upon a livestock program, chiefly, the feeding of beef cattle and the raising and feeding of hogs. We kept away

[1] This paper was read at the Twenty-third Annual Meeting of the American Farm Economic Association, Cincinnati, Ohio, December 28, 1932.

from dairies, but we at once began to develop our own beef cow herds, both Angus and Hereford. It should be made clear that much of our land lay in the more rolling sections, particularly in Indiana, and not in the level, higher-valued central counties. By its very nature it seemed primarily adapted to stock raising. The farms usually were not adjacent, however, which obviously constituted one of our greatest problems, that of supply.

During the second year we took over the next best 100 farms, and duplicated these efforts, until at the peak we had about 300 farms operated by some 200 hired men. We depended upon extra labor for seasonal peak loads, such as in haying and harvesting. We had year around men on the basis of about 200 acres per man.

From the start we planned to progress in three steps: First, to rehabilitate our farms with our own help, second, to lease them later on if at all possible to these salaried men on some workable livestock basis, and third, to attempt to develop our eventual buyers from these same men. In fact, we contemplated becoming their bankers if that proved necessary. We are at the moment in the second phase of the program, and in 1932 rented the majority of the farms formerly operated, in a number of cases to the hired men, but more generally, we regret, it has proven possible to find better equipped tenants elsewhere. This leasing was readily accomplished, for by the fall of 1931 many more good tenants were available than previously, and, as you all well know, there are now usually four or five applicants for each farm.

From the first we believed that success or failure would in large measure depend upon adequate supervision, and expensive though it was, we felt obliged to give it. We found a ready response, and I believe we can safely say there was never a lack of cooperation on the part of the hired men. Experience has also shown us that both our property and personal equipment were taken care of as well, if not better, by these men than is so often the case with an owner actually on his own land. We attribute at least one of the reasons for this to the almost universal interest in feeding livestock. Provided sound judgment is used in choosing the men, there seems to be no doubt that extremely loyal cooperation and enthusiasm can both be secured and maintained. I am emphasizing this point, because it is so often assumed that in agriculture it is not possible to secure the needed degree of interest from hired men. At least in our opinion, based on our own experience, this has not proven to be the case. It has been

only recently suggested to us that possibly another chief reason for our obtaining such cooperation was the opportunity these men had of eventually becoming tenants or owners, or perhaps of otherwise advancing in our service. This no doubt was a factor of great importance.

At this point may I make it plain that we do not at all mean to imply by these remarks that American agriculture should to any large extent anticipate in the future the general use of hired men, or should stray very far from the apparently indisputable fact that family-sized farms will continue to be the backbone of proper ownership? But contrariwise, we see no good argument to disprove the assertion that for the required period of rehabilitation of insurance companies' property, when so much work must be done to both soil and buildings, that hired men can logically be employed to considerable advantage.

Shortly after we commenced this operation program, the editor of an Indiana farm paper came to us for a description of it. We attempted to be polite and he was impressed, I believe, with our statement that what we were doing was obviously experimental, and that it was primarily based on the belief that while these properties would eventually be for sale, we were justified in rehabilitating them for at least two reasons. One was that in the event we were obliged to own them a number of years (as has certainly proven to be the case) it behooved us to secure as much income from them as possible. The other was that when conditions changed and we could begin to sell we believed the wise purchaser would choose a going concern, even at a higher price, rather than one on which much additional time and expense would still have to be put. The editor listened attentively, but upon returning to Indiana, instead of printing much of an article, he put a cartoon in his paper showing a rather peculiar individual driving a tractor. The driver had on a high plug hat and looked to be half farmer and half banker. The title to the picture was "The Aetna program—It starts well, but how will it finish." We admit the final answer is still to be had.

May I also make it clear that ours was surely not considered by us as an attempt at corporation farming? It was rather farming by a corporation, which, as the quite unwilling owner of these properties, was forced to do something with them. It is true we attempted to use, insofar as practicable, many of the recognized corporation methods, but not at all in every respect. For instance, bearing strictly in mind that some day these lands would

probably be resold to individuals, we certainly did not elect to destroy the logical grouping of buildings for individual farms. Neither did we think it wise to remove division fences in order to put large fields annually in one particular crop. Ours was, as I have said, a livestock enterprise, which in itself forbade the destruction of fences, but in every way we planned to operate only for the time being, in as economical and as scientific a manner as possible, thinking the farms would later be sold in small units. Whether this will actually prove to be the case, however, still remains to be seen. Contrary perhaps to the generally accepted local opinion, we believe there are reasonable possibilities in large-scale farming in the area in which this program has been conducted that may still prove attractive to capital. As previously indicated, we cannot altogether agree that simply to hire an agricultural worker at a wage is to entirely rob him of his individuality or to deprive him of a later chance to become a land owner. It does seem that he can graduate from his apprenticeship with advantages gained in many respects, exactly as any industrial employee can graduate, if he has a combination of the proper abilities. In fact, because agriculture can never be made as mechanical as many industrial plants, it seems to stand to reason that provided the employer will also approach the matter in that light a farm laborer has opportunities for personal development, if he will take them, exceeding those held by many other classes of labor.

We are at this time, as I have said, shifting from hired men to tenants, but the supervision is expected to continue, not in as detailed a way, but still to a very real degree. We have a strong supervision clause in our lease giving us the full right to have the land farmed as we think best, which says in part—

> "The Ætna, or its representatives, shall have control of *all* operations of an agricultural nature. This limitation and control shall extend to the manner of farming the farm, the fields to be cultivated and the crops to be raised thereon, etc."

Improvements to the buildings now have been largely completed, but of course the soil building must go on for years. Our further efforts will be to see to it that neither the soil nor the buildings are allowed to fall back into the bad condition in which we found them. Proper rotations are insisted upon and, insofar as possible, every effort is made to have livestock, and to assist in this we are expanding our breeding herds. This fall in Indiana and Ohio we placed our own raised calves in small groups

on a number of tenant farms, arranging to pay the tenant for their care, and feeding them on our own share of the crops. Roughly, this will cost us one cent per pound of gain per day, which say for 40 calves gaining 2 pounds per day gives the tenant 80 cents a day for his labor, in addition to which he will benefit from the manure. This plan is only now being tried out and is again an experiment. Our reasons for preferring at the start to pay in this manner rather than to undertake an out-and-out partnership livestock lease are to learn whether or not our tenant is a good feeder, and to simplify the bookkeeping and other purely clerical points of control. Again, we are relying upon the fact that if properly supervised the tenant will care for our livestock, under our guidance, equally as conscientiously as if it were his own. If he does not do so, we shall get rid of him without delay and try another. The next step will be to give him a definite financial interest in the project, but still under our supervision. I can scarcely refrain from continuing to emphasize the regard in which we hold our livestock program. We consider it fundamental in all our farming efforts and we feel sure that had you inspected these lands four years ago and noted their yields and cost of production as compared with these same factors now, you would agree with us. It can scarcely be denied that especially in many of the very finest parts of the corn belt both owners and tenants are now paying a heavy penalty for the long period of what may quite properly be termed extractive farming. It should be obvious to what that leads. So much, brief as it necessarily is, for our actual operation program.

May I now attempt to tie this into our previously mentioned "adequate supervision theory?" Without correct supervision it is clear, at least to us, that our results with hired men would have been quite unsatisfactory. By the same token, we believe supervision has an even more logical place in the successful handling of live loans and delinquencies, always in an attempt to avoid, as much as possible, acquiring more farms. While we think supervision over live loans should rightly be considered among the most valuable management changes, I fear that in the few moments still available to me it will not be possible to do much more than simply state the premise. It is that the field men of an insurance company, or those of any properly organized company engaged in professional farm service, should first of all direct their efforts toward the base rather than the top—toward the man rather than the land—toward the borrower

rather than the tenant, or the soil, or the buildings of a farm already owned. This means far more personal, human work. It calls for a type of field man who above all else understands people. From a long list of necessary virtues, it means he must readily be able to recognize whether or not the contemplated plan of operation has a reasonable chance of success. He must be an expert at re-selling his farm to the discouraged borrower, pointing out to him accurately, the apparent benefits of holding on to the land into which he has usually put so much time and effort. He must be able to recognize dishonesty, laziness, and inefficiency. He must certainly be able to come to a decision, not too hastily, but still at the proper time. Such a list of virtues, partial though it is, calls for a man of no mean ability, and it is to the training of these field men sent to contact our live loan borrowers, who under existing conditions are so often approaching trouble at a rapid rate, that we give much time and attention, always with the hope and belief that because of their efforts, using the various plans available for adjusting delinquencies, we can somehow avoid taking title to more land. It cannot of course be claimed that supervision, no matter how expert it may be, will prove a cure-all for every trouble. We are well aware, for instance, that it can only be expected to exert a moderate influence on so vital a factor as the control of production, although when used intelligently it should prove of value even in a question of this kind. Obviously its greatest force is felt when dealing with conservation, rehabilitation, efficiency, economy and above all else with the borrower's morale.

Therefore, it has dawned slowly upon us that adequate supervision of live loans under almost any condition is strictly desirable and that under adverse conditions it becomes practically imperative. Although it is expensive, it should more than pay its way. Neither has it been our experience that many borrowers resent what may at first blush seem to be unwarranted intrusion. In Illinois we have just completed an inspection of all loans on which any interest falls due during the next three months and our men report little or no trouble in that regard. Provided enough credit agencies recognize its value, and in fact make it a part of their contract when the loan is originally negotiated, we believe that in the years to come it will prove to be a most gratifying source for the avoidance of much trouble. It is offered therefore, as a basic and worthwhile change in the organization and practice of farm management.

FARM MANAGEMENT, ORGANIZATION AND PRACTICE[1]

FRANK W. REINOEHL
COLONIZATION FINANCE CORPORATION OF CANADA LIMITED

It has been suggested that because of the wide spread interest in its work, that a brief statement and explanation be given of the Colonization Finance Corporation. The Colonization Finance Corporation of Canada Limited has been set up to meet a condition created by the agricultural situation of the past ten years. The past two years of low prices, and in some sections, of crop failure, have aggravated a situation which already existed. Of farm properties under farm management by the Colonization Finance Corporation for the season of 1931, 28.5 per cent were real estates, 43.8 per cent sale agreements, and 27.7 per cent mortgagors in arrears. In other words, 72.3 per cent of all properties handled by the Colonization Finance Corporation in 1931 were foreclosures which had taken place during the period previous to the low prices of 1930 and 1931. Moreover, all mortgaged properties in arrears, in regard to principal and interest, reached this condition previous to 1930 and 1931.

The situation which has resulted in the organization of the Colonization Finance Corporation is not peculiar to the nine loan companies which control it. All Companies loaning money on farm lands in the spring wheat areas of the United States and Canada, have had the same experience, an inability on the part of a certain percentage of their clients to meet their obligations. The nine member companies of the Colonization Finance Corporation, with the cooperation of the Canadian Pacific Railway, are making a cooperative effort to meet this problem. It goes further than mere cooperation between the companies themselves. It puts into effect a desire on the part of the member loan company, to cooperate actively with its borrowers who are in financial difficulties. Experience has taught all farm mortgage companies that when a foreclosed property comes into a company's possession, the land is weedy, the soil unproductive, and the buildings in a poor state of repair. It has also been found that because of a tenant's lack of security of tenure that such properties are not improved, but continue to become less productive. It has been demonstrated many times that a tenant operated property can be improved, under the right kind of farm management, when

[1] This paper was read at the Twenty-third Annual Meeting of the American Farm Economic Association, Cincinnati, Ohio, December 28, 1932.

the tenant has a fair chance and security of tenure. It is altogether possible to make purchasers out of many tenant operators, who have a good chance to succeed because they have been trained to carry on the right kind of farming program.

Many foreclosed properties or real estates have been sold on some crop payment plan, to purchasers whose equity in the property is very small or perhaps nil. To all intents and purposes, since the loan company holds the entire investment, these purchasers are in the same position as tenants except as to their legal status. Because of the run down condition in which these farms are found when taken over by purchasers under the sale agreements, it is a very difficult matter for them to bring the properties back into profitable production. After taking care of regular family and operating expenses, there is nothing left for interest and principal payments. During the past ten years very few purchasers under sale agreements have been making real headway, and on such properties a closer relationship must be established between the loan company, the real owner, and occupant. The Colonization Finance Corporation's farm management program provides this cooperation.

Experience in dealing with real estates and sale agreements, has led to the conclusion that the same type of service and cooperation would be mutually advantageous if extended to mortgagors seriously in arrears and in danger of losing their property. It has been found when an owner of a farm encounters financial difficulties, that the security of the loan company usually depreciates very rapidly. As a result, closer cooperation with such loan accounts has been undertaken, first to prevent further foreclosures, and secondly, to prevent the security back of the loan from becoming run down and worthless. Most loan companies admit that in the past some very good men have lost farms and have had their places taken by inferior farmers. It is readily admitted that the mortgage and loan companies of the Colonization Finance Corporation have undertaken this task for other than altruistic purposes. It is their belief that through the farm management program, the farm security can be preserved, thus safeguarding funds which have been loaned.

No farm should be an experiment station. The Colonization Finance Corporation, in building its organization, recognized the present critical situation of agriculture of the Western Provinces by providing management for the farms under its control. In this transitional period, from straight grain growing to limited diversification such as has now been reached, competent direction

and supervision of farming operations, not only accelerate this transition, but prevent many of the mistakes incident to farming when new methods and a new program are required. To a large measure the hit-and-miss, the trial-and-error period, with all its attending failures and costliness, is reduced to a minimum.

The immediate task becomes a problem of preserving the very security upon which farm loans have been made. This is being done by placing in the midst of a group of such farms a man well qualified to work with the farmers toward this end. The distinct advantage of the nine companies cooperating is that within a comparatively small area, a group of farms are so situated that the cost of travel and time spent in travel are reduced to the very minimum.

The judgment of the executives of the loaning companies who determined on this policy, has already been vindicated, since it has been demonstrated that at a minimum cost, the security of farm loans can be preserved and even improved under the existing price situation. No one expects much improvement of farm finances under present price levels, but because of the improved condition of the farm and farm operations, these farmers and their lending companies will be in a position to take advantage of any improvement in the price situation.

Technically and scientifically speaking, farm management may be considered one of the subdivisions of agricultural economics. It might well be characterized as applied agricultural economics, if such a term is permissable. The farm manager approaches his problems from a different angle than the natural scientist or technical agriculturalist. As the plant breeder increases yields through improved varieties and the crop specialist through improved cultivation, rotation of crops and fertilization, the farm manager must not only know the scientific principles underlying all these but in addition must be able to determine the amount of labor required and the most efficient set-up of machinery necessary for performing the farm operations to secure increased yields on an economical basis. The scientific or technical agriculturalist is not bound in his work always by the test of whether it pays, but the farm manager, always. Net returns and not gross returns will be the test of any successful farm management program. While in a practical way farm management may be concerned primarily with the organization and equipment of a farm, the basis of the organization and equipment of the farm, is deeply rooted in every phase of agricultural economics.

Organization of Farms

It is possible here, only to give the briefest outline of the plan and principles underlying farm organization and farm practices in the spring wheat areas of Canada and the United States. Not only a common sense view, but the history of agriculture itself teaches certain basic facts which are foundational for improved and successful practices. This program recognizes that the best virgin soil ever created cannot be mined forever. The practical farmer is not interested in the more or less academic discussion as to whether it is possible to exhaust a once fertile soil. He knows that nature has a sure way of protecting itself. Even with tons of plant food stored in the soil, as might be shown by chemical analysis, after a time nature closes her door and in an unavailable form holds the balance of this plant food securely locked in her embrace. Plants called weeds, only because we desire to grow other plants in their stead, are nature's allies to prevent further robbery of an exhausted soil. If the so called weeds were allowed to take their course, they would again rebuild this soil and turn it back to future generations, another wonderful and virgin soil, free from all noxious weeds and covered with only the natural grasses which yield at once to the demands of men. Constant killing and destroying by tillage methods of that which would again create a virgin soil, in order to unlock further plant food and conserve moisture to produce crops, leave no longer a soil. Instead we have a finely pulverized rock and mineral, lacking in humus and capacity to hold moisture and subject to every gust of wind. Drifting, throughout the spring wheat area, is no longer confined to sandy soils, since the heavier soils soon follow, and an already precarious agriculture is faced with an additional hazard. The dust storms of the spring wheat prairies are clouds of witnesses that speak for a more permanent type of agriculture.

All of the spring wheat areas except the newer portions, have long since passed out of the period of the pioneer stage of a virgin soil, of which grain farming was the profitable enterprise. This soil no longer virgin, partially depleted of soil fertility, filled with weeds and plant diseases and pests, and subject to soil drifting, has made farming extra hazardous and the cost of production excessive.

Dealing with a soil and climate in which the raising of small grains should ever be the major enterprises, the reorganization of farming recognizes the need for only such modifications of

a straight grain farming program as may be necessary to meet the situation created by soil drifting, weeds, and lack of available plant food. Introduction of livestock, rotation of crops, and use of legumes and grasses, but only to the extent necessary to control these menaces and make grain farming possible and profitable, are the underlying principles. A summerfallow system of weed control which actually does not control them, must gradually be abandoned in all sections of the country except in those parts where the rain fall is not sufficient and dry farming methods must be employed. Substitutes for summerfallow are readily found in most areas.

While it is highly desirable to have life on the farm as self-contained as possible and to establish a year round income, the introduction of livestock on such farms where the water situation warrants it, is not only a step toward rebuilding the soil, but more especially for the control of weeds. It has been found that twice as much grain and of better quality, can be raised on a given acreage through seeding down and building up the soil than on the partially exhausted and weed infested soil. The cost of weed eradication by cultivation methods only is far too costly. Pasturing, mowing for hay and seeding down, not only provide measures for meeting the soil situation with provision for revenue, but at the same time are the only effective and economical ways of controlling weeds known to agriculture anywhere. After all, the weed situation is the most serious production problem in the older spring wheat areas. The toll of weeds is enormous and in dry seasons such as have been experienced lately in some sections, utterly ruinous.

In the preparation of cropping plans for the old grain farms not only are the individual enterprises or projects of each farm considered but also the needs for weed control, the control of soil drifting, and the rebuilding of the soil. Land economics and land utilization have a bearing on such plans. Many modifications in size and shape of fields for increased efficiency are necessary. Adequate supplies of feed for livestock, adaptation of a type of farming suitable to the land and the operator, provision for a proper distribution of the labor, both for peak heights and throughout the year, are considerations which must govern cropping plans on these farms. On farms where one-third of the land formerly in grain, is now in legumes and grasses for pasture and roughage, the balance of the land is producing more grain than the whole acreage formerly produced.

With the reorganization of the farming program as outlined above on the better managed farms of the spring wheat areas, other steps are taken to secure the advantages of larger units of machinery. Contrary to what might be expected, limited diversification makes it possible to increase the size of the family farm of the spring wheat areas. It is a very interesting fact to note that the master farmers of Canada almost invariably operate section farms. The same farm equipment for grain farming will take care of additional acres when the farming program is reorganized. An extra quarter section of land can readily be absorbed when straight grain farming is no longer followed. Cooperation between farmers in the use of high priced units of machinery is common practice in group farm management projects. In the present work of the Colonization Finance Corporation, consolidation of farming lands in large units and cooperation between units are established and effective policies.

It appears that the demand a few years ago for the reorganization of farms and farming along certain lines was not well founded. This demand would have led to some extent, to the replacement of the family managed farm as an integral part of the system of agriculture which has prevailed on the American Continent. The past three years of low prices have changed this picture. Some three years ago in writing on this subject, I used the following words:—

> "Corporation farming is not a solution of the present problems of agriculture. Its introduction on semi-marginal lands, whether in Russia, the United States, or Canada, will tend but to aggravate the present situation. I hesitate to express my personal opinion, namely, that low prices, unfavorable seasons, combined with the semi-arid lands, will drive many of those concerns, now operating, out of business. Regardless of any differences of opinion which we may hold in this matter, the truth is that the major portion of farm production, for many years to come, will be on the family sized farm, and the real problem then, is to secure a greater efficiency on the family farm."

More is needed on the family farms of the spring wheat territory, than a mere reorganization of the farm and farm practices. The mental attitude of farmers needs to be reorganized also. The chief work of a farm manager is to make a successful and independent farmer out of the man who is not now succeeding. The ambition to make a success and take a real pride in the successful operation of his farm must in some way be aroused. The morale of the farmer is none too good. A new view of farming must be set up. It must no longer be a year round drudgery. The

farmer must realize that there is a best or "optimum" way of doing everything and that a real live problem is involved in every operation on the farm. Choices and decisions are always before him and the nature of his decisions decides the success or failure of his farming operations. As a farmer really begins to think about his problems, and if his thinking is directed along right lines then, and then only, will the labor performed on a farm get the best results.

Farming a Business and a Way of Living

Farming on the family farm will long continue to be a mode of living and a business. Strong efforts will be made to improve the business side of farming so that two things may be accomplished—first, that the mode of living supported on the farm may be on a higher plane; secondly, that the profits of the farm over a reasonable period of years, may make the farmer an owner instead of a purchaser heavily in debt, or a tenant. With thousands of farm properties slipping from the hands of their former owners into the possession of involuntary owners, the mortgage companies, the big problem is to establish on these run down farms a profitable agriculture. Until a profitable and successful agriculture is established, then and not until then, will such lands have any value either as security or as an investment.

Pride of Accomplishment

While there will always be different degrees of accomplishment among farmers according to ability, nevertheless the ambition to be one of the best farmers in the community can be aroused in every farmer and must be aroused if the farmer is to succeed. The farmer who can be led to take pride in what he accomplishes in each day's labor, who takes pride in the condition and appearance of his farm, his horses and equipment, and in everything that he does, is on the way to success. If these things are lacking, the farm manager's first job is to create and develop such an attitude of mind. It is very important to recognize that improvements in home and living conditions are the basis for improvement in farming conditions. The farm manager's interest in the living conditions results in a real, mutual confidence and co-operation. To get the best results, the farmer and his family, whether tenant or purchaser, must have an interest in making a real home on the farm. The sacrifices necessary in paying for a farm will not be made until the desire to have a perma-

nent home on the farm is strong indeed. Encouragement in bettering living conditions accelerates such desire. Encouragement in having a good garden, flowers and shrubbery about the home, the house fairly neat and comfortable on the inside, all help to make sure that the farmer and his family are prepared to undertake to pay for their farm in the right spirit. The man who is prepared to join wholeheartedly with the farmer in working out all of these problems as far as reasonably possible, will find that his work grows easier and he will receive from the farmer and his family that degree of cooperation necessary to develop a high type of rural life on the family farm.

CHANGES IN FARM ORGANIZATION AND PRACTICES[1]

L. H. Woodhouse
Fidelity and Columbia Trust Company, Louisville

Each farm presents its own individual problem. A few general practices, however, apply to most farms. On account of the continual price decline in farm products over a five-year period—in the past two years to the lowest level recorded in the twentieth century—the farm manager today is confronted with the problem of what course to pursue in order to secure sufficient revenue with which to pay taxes and insurance, keep up improvements, maintain and improve the fertility of the soil, and withal to secure a reasonable return on the investment. In these abnormal times we are interested in such changes in organization and in farm practices, new or old, as will increase the farm revenue while decreasing the expense.

The following discussion will be restricted to some of the practices that have been put into effect on farms in Kentucky, Northern Tennessee, and Southern Indiana, and which have proved successful. Please bear in mind that these remarks are made from the viewpoint of a professional farm manager and not from that of a layman or a farmer. Many practices which prove successful under the direct supervision of a farm owner, who lives on the place, will fail if tried by a professional farm manager. Before discussing these practices, reference should be made to the natural classes into which professionally managed farms fall.

(a) Farms rented for cash.
(b) Farms rented for crop share rental.
(c) Farms under direct supervision.
(d) Farms operated under a tenant partnership plan.

(a) Farms rented for cash require little discussion. They usually comprise small tracts located near a large city, and may or may not have improvements. In the majority of cases they have value other than for farming purposes, such as subdivisions or industrial sites. The management in this case is largely a matter of renting to the person who will pay the most rent and who will take reasonable care of the land. At best, this is only a temporary measure and a makeshift, and the fertility of the soil is likely to be depleted very rapidly. If the tenant is paying a high rent, he naturally is interested in getting everything he can out

[1] This paper was read at the Twenty-third Annual Meeting of the American Farm Economic Association, Cincinnati, Ohio, December 28, 1932.

of the soil and putting back as little as possible, knowing that he may not have the farm for more than one year.

(b) The farm rented on the crop share basis is about in the same status as the one rented for cash. The farms in this class may be large or small and are usually in undesirable locations, particularly with respect to roads and markets. The management problem for this type of farm is to secure a tenant

(1) Who will abuse the land the least.
(2) Who will rotate his crops.
(3) Who will sow grass seed and clover.
(4) Who will cultivate the ground as directed.
(5) Who will be honest enough to give the owner his share of the crops, or the proceeds from its sale.

(c) The farm handled under direct supervision is the one where all labor is hired, all equipment, tools, livestock, etc., furnished, all other expenses paid, and all receipts received by the owner. Many of these farms are of the "Country Gentleman" type, the owner occupying the residence on the property while attending to a business in town. The details of the operation of the farm are carried on by a foreman to whom the owner's manager gives general instructions, and the success or failure to a large extent depends on the foreman. Incidentally, this type of farm is probably very difficult to handle and in most instances is not very profitable. The problems are practically similar to those which lie within Class d.

(d) Where the farm is operated under the tenant partnership plan, the tenant furnishes all the workstock, tools, and labor. The owner furnishes the grass and clover seed, pays the taxes and keeps up the improvements. The productive livestock, such as cattle, sheep, and hogs, are owned on a fifty-fifty basis. All other expenses and receipts are divided equally between the owner and the tenant. The owner can control the policy of the farm by reserving the right to determine the kind and amount of each crop grown, the land on which it is to be produced, and the rotation to be used. Our experience shows that the farms in this class have proven to be the most profitable. Whenever, therefore, conditions justify it, all farms placed in our hands for management are being operated in this manner. Permanency is necessary to the success of this operation and the lease must be from three to five years, preferably the latter. The success will, of course, largely depend on the kind of tenant secured.

Inasmuch as the farms operated in this manner have proved the most profitable, the remainder of this discussion will con-

cern itself with the farm practices which have been put into use, and found effective during the last five years.

First—Increased Ratio of Livestock and Crops. The price of farm products, particularly feed crops, has been so low in the last two years that even on good soil and even with efficient operation, it has been almost impossible to net more than the cost of production. When the major revenue from the farm has been derived from the sale of grain, hay, and other feeds produced, and when wheat has dropped from $1.50 to 30 cents per bushel and corn from $1.25 to 20 cents per bushel, and other farm products in like proportion, while at the same time taxes, seed, farm machinery and labor have dropped very little, it immediately becomes apparent that some change is necessary, if the business of farming is to be successful. We have found that much better prices can be secured for the feed produced on the farm if it is marketed through livestock than if sold direct. In the past two years even though a reasonable amount of livestock may have been kept on the farm, it has been found advisable to increase the number to the point where it will consume all the feed produced. As an example I wish to call your attention to one of our tenants who was feeding a number of hogs last spring. While talking with the tenant one day after the hogs were sold he inquired if I had figured how much we had lost by the operation. At that time he could have obtained 40 cents per bushel for his corn. He told me how much corn he had used, and gave me the weights and selling price of the hogs. It was only a matter of a few minutes figuring to convince him that he had marketed his corn for 75 cents per bushel. The same general situation applies to feeding cattle and lambs. When increasing the number of livestock, we buy the breeding animals and produce the feeders on the farm. Considerable money can be lost by buying feeder cattle or hogs. If there is a surplus of feed on the farm there is a tendency to pay too much for the feeders and there is always some likelihood of losses through sickness and injury. If the feeders are raised and fattened on the farm the losses are usually kept at a minimum and the chances of success are much greater.

Good high grade bred sows can now be bought for $10.00 and if these sows are handled properly they will produce two litters a year and should average six to eight pigs to the litter. A sow can be fed from the time she is bred until the pigs are weaned, the pigs fed to an average weight of 200 pounds and sold for $3.50 per hundred, with a return of 40 cents per bushel for all the corn that is fed to them. Good high grade black faced western ewes,

two and three years old, could be purchased last fall for $5.00 to $5.50 per head. With reasonably good management they will produce from 100 to 150 percent lamb crop. The lambs if properly fed and marketed should bring $6.00 to $7.00 a hundred. In other words, the first lamb crop will practically pay for the cost of the ewes and the wool clip will pay for the feed they eat.

We have found that the production of baby beef has proved very profitable. At this time good quality grade beef heifers or young cows, either shorthorn or white faces, can be purchased from $25.00 to $30.00 per head. These cows in most cases are bred to good beef bulls and will produce a calf of good quality in the spring. These cows and their calves can be turned on pasture all through the Summer and Fall with practically no labor attached. The calves should be started on feed in the late summer and the amount of grain increased as rapidly as they will consume it. These calves will be ready for market within eight to ten months at a weight of around 700 pounds, and should bring six cents, or better, per pound. On this basis, the sale price of a calf will pay for the cost of the cow and the feed it has consumed, leaving the cow as net profit, less the cost of her pasture and wintering.

No one can foretell the future, but we do not look for lower livestock prices. The present time affords a real opportunity to stock up on as much livestock as the farm can carry.

One important fact that I have tried to impress on the owners of the farms under our management is that even though the grain and feed marketed through the livestock do not bring any more than the market price of the feed, the manure secured will be of considerable value, will increase the productivity of the soil, and ultimately enhance the value of the farm. Pasturing livestock will eliminate much of the labor necessary in mowing the fields and the manure will be returned to the ground without any expense.

Second—Production of Quality Seeds, particularly those needed for seeding on the farm.—Although the price of seed has dropped considerably it is still out of line with the price of farm products. We have found that quite a saving can be affected by sowing seeds that are adapted to the soil and weather conditions in any particular locality, and such as can be harvested and used to re-seed the farm. The production of seed has been overlooked to a large extent. When producing the seed necessary to sow on the farm, it is also possible to produce an additional amount of seed sufficient to pay all costs in connection with the harvesting,

and the seed used on the farm costs practically nothing. There are many grasses and clovers which are adapted to certain sections that will not produce seed crops under those particular conditions. It is entirely possible to use only such grasses and clovers as will produce a seed crop in the vicinity in which they are grown, thus making it unnecessary to buy from outside sources.

In this connection a few remarks on Lespedeza are in order. For many years the common Lespedeza or Jap Clover has grown wild or has been seeded in the fields in Kentucky, Southern Indiana, and Tennessee. Within the last five years development has occurred in other varities of Lespedeza, namely, Korean and Kobe. The Korean is probably more widely used at this time than any other. It is a clover that will grow on almost any kind of soil, but will, of course, not reach its maximum possibilities except on the best soil. It is not necessary to lime in order to get a good stand as in the case of red and sweet clovers in most of this territory. It will produce as much hay as Red or Alsike clover grown on the same ground, averaging about one ton per acre on ordinary soil. It will furnish an abundance of pasture through the season when we usually have our hottest and driest weather, namely, July 15th to September 15th. It will, in fact, continue on up until frost. It is an annual and makes a seed crop every year. If cut for hay or pastured closely it will still produce a sufficient amount of seed for re-seeding the following year. It is also a source of cash revenue as it produces a good seed crop every year. This crop will produce anywhere from 100 to 1000 pounds of seed per acre, depending on the soil, the season, and whether or not it is used for grazing. After a seed crop has been harvested the ground can be disked and put in wheat or some fall grain, or disked in the spring and put in oats, and it will not be necessary to re-seed as there will be sufficient seed to come up in the spring.

As an example of this, on one farm we harvested an average of 800 pounds per acre of Korean seed in the fall of 1931. The winter of 1931 and 1932 was very mild and a crop of seed sprouted in February. The ground was disked the latter part of February and oats sown. In a few days another crop of Lespedeza was in evidence. A very cold spell of freezing weather in March killed this crop of young clover. By the middle of April a third crop had sprouted and made a perfect stand. The field was harvested this fall and averaged approximately 500 pounds of seed per acre in addition to producing a crop of oats.

In the spring of 1930, as an experiment we mixed a couple

of pounds of Korean seed per acre in the clover and grass seed on a number of different farms on which were different kinds of soil. The extreme drouth of that year killed practically all of the clover and grass sown except the Korean. It seemed as though every seed came up and grew despite the drouth.

There is a field on a farm in Southern Indiana which had two pounds sown in 1930 with other grasses and clover, all of which failed except the Korean. Since that time the field has not been cultivated but merely used for pasture. This year there was almost a perfect stand of Korean, which could have been cut for hay or harvested for seed.

Lespedeza is not only a source of feed and cash revenue, but also is a wonderful soil builder. The seed itself is cheap, costs very little to harvest and I heartily recommend its use, either by itself or in grass and clover mixtures for both hay and pasture. It is ideal to sow on old bluegrass or mixed grass pastures, and will materially increase the quantity and quality of the grazing.

Third—Judicious Use of Fertilizer.—The use of a reasonable amount of commercial fertilizer on various crops is both desirable and profitable as it usually increases the quality as well as quantity. It is, of course, necessary to use the proper formula for any particular crop or for certain soil conditions. For general farm crops we have found that 16 per cent super phosphate is probably the most economical fertilizer to use. Crops like potatoes and tobacco, of course, require a high grade complete fertilizer.

With the proper crop rotation legume crops may be raised and turned under, livestock produced and the manure spread on the ground, thereby supplying the nitrogen which most farm crops require. Most of the soil in Kentucky and surrounding territory, except the river bottoms, contains a sufficient amount of potash, therefore, it is only necessary to add the phosphate in order to balance the plant food. In some sections, particularly in the Bluegrass, many farmers have never used fertilizer and do not consider it necessary. After much persuasion we induced the tenants on some blue grass farms to use fertilizer under their tobacco. The use of this fertilizer has proven very profitable. As an example of this, I cite the case of one tenant on a farm in the Bluegrass who in 1931 used fertilizer under his tobacco. His tobacco averaged 1700 pounds per acre and brought a price of 11 cents per pound after all selling and hauling charges were paid. His best average prior to that time had not exceeded 1000 pounds per acre. He had six acres of tobacco and the increase on one acre

paid for the cost of the entire amount of fertilizer used. Even in the face of this experience this tenant felt that he could not afford to use fertilizer this year. He finally agreed, however, to do so, and with the following results: His tobacco averaged 1300 pounds per acre and the increase in one acre again paid for all fertilizer used on his entire crop.

There are other examples of similar nature which could be cited, but this is sufficient to justify the judicious use of fertilizer. The use of fertilizer may mean the difference between profit and loss on any crop, as it takes the same amount of labor to produce a crop with as it does without fertilizer, with the exception of the additional cost of harvesting and handling the extra yield.

Fourth—Education of the Tenant.—This may not properly be termed a farm practice, however, I am of the opinion that it is of the utmost importance in the management of farms in this section of the country, as the majority of them are operated under tenant partnership plan. Many a man will make a good tenant under the proper guidance but if left to his own devices will be a failure. It is, of course, important to secure the best tenant available, and it is probably advisable to give a new man only a one-year lease on the farm with the promise of additional years if he proves satisfactory. When he has proved satisfactory, give him a long term lease, five years or longer if possible. See that he has a sufficient number of tools, workstock and equipment to operate the farm economically. If he does not have the equipment necessary, insist that he buy it and finance him if necessary. Buy or assist him in buying a sufficient amount of the right kind of stock and take his note to be paid later if necessary. Encourage him to take and read one or more good farm papers; to attend farmers meetings and conventions locally and at the State College of Agriculture; to take advantage of the service of the county agricultural agent, and any cooperative marketing or buying associations that are on a stable footing. Do not forget that the tenant is human and that he is entitled to decent living quarters. Make the necessary major repairs to the farm dwelling and all other buildings and encourage him to keep them in repair and painted if possible. Do not forget the tenant's wife and family. They also like a nice home and if given a little paint and wall paper, will take a new interest in the home and endeavor to keep it as nice as if they owned it themselves. Whenever there is any work on the farm to be done that the owner should pay for, give the tenant an opportunity to do it if he is able, thus helping him

to increase his income and make him happy. Encourage the boys and girls in 4-H Club work if it is available in that county. By so doing, the youngsters may learn some good lessons which their elders will also absorb and which will aid in the management of the farm.

In this connection, poultry business as a side line, will, if properly conducted, increase the revenue of the farm and make the tenant happier. Up-to-date, modern equipment such as brooders, brooder houses, and laying houses should be furnished. The cost of the chickens and all feed purchased should be borne fifty-fifty. Probably the most satisfactory method is to buy the baby chicks from some high producing flock which is free of bacillary white diarrhea. Grow them out, sell the cockrels as springers, cull the pullets in the fall, and keep only the good ones for layers. Do not attempt to keep breeding stock unless it is in the operation of a poultry farm.

This will be a profitable side line only if the tenant and his wife are both very much interested in the poultry. About three years ago the tenant's wife on one of the farms we are operating became very much interested in raising poultry. The suggestions outlined above were followed in a small way, increasing the number of chickens each year. The first two years the owner's share of the net income was about sufficient to pay interest on the investment in buildings, equipment and stock. This year the tenant has netted for his part about $12.00 a month, notwithstanding the low prices of eggs and chickens which have prevailed until recently. This was sufficient to pay the tenant's grocery bill and the whole family is happier than ever before.

Summarizing briefly, our experience in the management of farms has taught us that those farms which have been operated on a cash or crop rental basis, or under direct supervision, have, in most cases, not proved profitable, although in very few instances has actual money been lost. On the other hand, practically all of the farms which have been operated under the tenant-partnership basis have proved profitable. For this reason, whenever conditions have justified it, we have followed this type of management, and we believe that increased ratio of live-stock, production of high quality seed, judicious use of fertilizer, and education of tenants, have contributed in the largest measure to our success in farm management.

CHANGES IN ORGANIZATION AND FARM PRACTICES[1]

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This discussion of changes in organization and in farm practices that have recently been effective on professionally managed Midwest farms is based upon reports made by several farm management organizations located in Ohio and Indiana and only such changes are noted as seem to have been effected recently and rather generally on professionally managed properties in those states. As these changes are enumerated an attempt will be made to comment on their background and observe whether they are or are not being effected on farms in general, that is, including those not professionally managed.

The farms which are under professional management in this territory fall largely in two groups as to ownership. First, the larger group is comprised of those in the hands of so-called unwilling owners, that is, those who originally made a loan but now find that they bought a farm. The second principal class comprises farms which are owned by estates, those which have been purchased outright as investments, and those which have been purchased as a hobby or side interest. There are, of course, other classes of owners but they are in the minority.

It is evident that landowners with too much debt are not generally in a position at the present time to avail themselves of professional farm management service with fixed tax and interest charges demanding so large a share of the income. Hard run farms with heavy mortgages seem to be cases for the undertaker rather than for the doctor.

The majority of owners of professionally managed properties are (a) not inclined to follow the land market the full way in marking down their investments. They have faith in the future of good farms.

(b) The majority of these owners are not pressed for large immediate returns.

(c) Most of them have additional money to put into the project.

(d) They are looking forward to the future and considering the question, "What will my farm be five or ten years from now?"

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[1] This paper was read at the Twenty-third Annual Meeting of the American Farm Economic Association, Cincinnati, Ohio, December 28, 1932.

In brief, these owners are coming back to our old-fashioned ideas of a farm as a bank and that anything you sell off the farm is that much fertility gone, a withdrawal from the account. In this connection we were recently interested in preparing some figures of the value of fertilizing constituents of various farm products based upon the expected spring prices for commercial fertilizers. In these calculations it was shown, for instance, that a bushel of No. 5 yellow dent corn contains better than 15 cents worth of nitrogen, phosphorous and potash. Likewise, it was shown that clover hay is worth $8.24 a ton. These calculations demonstrate how unsound heavy drains have been on soil fertility. With soil fertility as with a bank account, heavy withdrawals eventually lead to depletion and often to disaster.

This condition and viewpoint of the large percentage of owners of farms under professional management explain some of the following changes which have been recently effected.

(a) More consideration is given to the establishment of an efficient unit. This is leading to a sort of homemade program of land planning. Small tracts are in the main deserted, that is, they are sacrificed to neighboring farm owners or those from the city who are trying to get back on a small piece of land. Some of the thinner fields which have been in cultivation are being seeded and thrown back into pasture lands. Smaller farms are being consolidated into larger ones, all with the idea of establishing a more efficient unit.

(b) Definite crop rotation and soil building programs are being adopted. There has been much talk of these things in previous times but our observation and our informants lead us to state that only recently have these changes been made in any appreciable number of cases. Considerable lime is being applied and increased acreages are being sown to legumes.

This desire to build up the fertility of the soil on their farms is no doubt prompted in some cases by an owner who expects eventually to dispose of his property for part cash and realizes that the farm must be in such shape that the new owner can pay for it. We believe that the cases are rather rare where the soils are being built up with the idea that this reserve is to be tapped at some future time when the price of farm products is higher. The principal idea in the minds of those who have entered upon this program is not to increase the number of the bushels or tons produced upon a farm but they do have definitely in mind that they will be able to raise more per acre, e.g. these owners are

trying to get their land in shape so they can raise 50 or 60 bushels per acre on 60 acres rather than continue to raise 30 or 35 bushels per acre on 100 acres.

It may be of interest to students of farm economics to know that a great many changes are taking place in the purchase of farm supplies. On professionally managed farms the practice of pooling of orders and buying such needs as fencing, roofing and paint, direct has recently shown a great increase. Just how far this trend will carry us we do not know but it certainly affects the local merchants and the present distribution system.

On professionally managed farms there recently has been a decided increase in the rate of adoption of better farm practices. This increase in rate of adoption should be noted as a recent change. These practices include use of better seeds, variety standardization, better planned livestock programs, better care of livestock, and more balanced rations. It is our observation that adoption of these practices is contrary to the trend on neighboring farms not under professional management and for very evident reasons.

The owners of professionally managed farms are generally taking more interest in their tenants than was formerly true. They are intensely interested in his cost of production and his financial condition and are anxious that he be able to raise the yield per acre, eliminate misdirected efforts, and observe a better distribution of labor. These owners are insisting, however, upon maintaining and even increasing the consideration for home and pasture privileges enjoyed by the tenant. However, less of these rents are demanded in cash and the tenant is given the privilege, in fact is required, to perform more and more the repair work to be done on the farm. This includes the building of fences, cleaning of ditches, painting and general repair and improvement work. This is leading to a better distribution and use of labor on the farm. It does mean, however, that there are less hired carpenters and painters and other so-called specialists.

One of the principal changes which has been most generally effected is the increased use of man and horses. Sons and sons-in-law who previously worked in industry are now back on the farm willing to work for very small wages and keep. Many farmers who previously did not employ much extra help are now employing hired men who work for little or no wages above board and clothes. We know of one farm upon which 90 acres have been plowed this fall with horses, where previously all plowing was

done with tractors. This situation is partially brought about by the fact that gasoline and motor oil demand cash, whereas horses consume home grown feed, which is cheap. Very few new tractors are being purchased, although many tenant-operators are buying good used tractors at less than half their value, expecting to use those tractors only during the busy season. There is every indication that more colts are being raised but this cannot be expected to meet the demand for more horses under present conditions. Just what ultimate effect this will have upon the price of horses and what would happen if a surprisingly large per cent of the labor should be recalled to industry is a very interesting question. It can be seen that this change is the cause of some concern and perhaps worry to managers of those properties but regardless of that the change is definitely under way. It should be observed that this change is believed to be general on other farms as well as on those which we are considering and for the same reasons.

On professionally managed properties the owners and tenant-operators are cutting down their expenditures for commercial fertilizers and purchased feed concentrates. They are seeking to replace these with soybeans, legume hays, and use of barnyard manure. We do believe that some potash and phosphorous will be purchased, however, but those interested in distribution of commercial fertilizers may expect a greater percentage of such formulas as 0-14-4 and 0-10-10 to be used. These farm owners are determined to secure a large part of the nitrogen through the growing of legumes. It may be interesting to observe here that a ton of alfalfa hay contains better than $7.00 worth of nitrogen, whereas the potash and phosphorus therein are worth less than $3.00.

Owners of farms under professional management are encouraging the tenant-operators to keep and feed livestock on their own account and are giving them every encouragement to do so. Considerable of this financing is being done through federal instituted agencies and recently there has been a decided increase in the use of these credit facilities.

The owners of these farms are going into partnership with and financing the tenant-operators in their livestock operations only as a last resort. That there has been any increase in the number of the fifty-fifty livestock partnership arrangement is doubtful. It seems to be the policy of these owners, wherever possible, to continue tenants on grain-share leases and sell their share of

crops to the tenants who keep and feed their own livestock. If this is not possible, the owners then enter into short-time feeding arrangements with their tenants. It is interesting at this point to make some neighborhood observations. Forced liquidation and heavy fixed cash demands are exacting a terrible toll. Good herds of dairy cattle, beef cattle and hogs are being neglected. Cheaper sires are being used and everywhere splendidly organized livestock operations are being abandoned due for the most part to heavy capitalization and too much encumbrance. This does not bear directly on our subject but is of interest. There is a general feeling that on professionally managed properties many owners and tenant-operators are taking advantage of this situation and that many new herds of livestock will be established. For instance, many are purchasing purebred heifers and especially good bulls. Foundation for good herds of hogs is being laid at very low prices. These operators expect to profit by purchasing cheap feed from neighboring farmers who do not have livestock and are in distress. In general these projects will be planned with the idea that such operations will be entered into now while things are cheap and will result in unusual profits when things return to a higher price level. We are not attempting to prophesy whether they are justified in this expectation but do believe the procedure is sound, whether prices stay down or go up.

Another change in farm practices which is quite generally accepted comes from the determination of farm owners and the tenant-operators to follow their products more nearly to the ultimate consumer. In doing this they are learning to improve the quality of their products and we believe that this is a development which may be of more than passing interest.

The farm families on professionally managed farms have made what seems to be general changes as regards more rigid economy and a tendency to make the farm and farm family more self-sufficient. For instance, some very good tenant-operators and ones who are above average as to financial condition did not buy licenses for their automobiles in 1932. All of them are making fewer trips to town. Repair work, sharpening jobs, which used to go to the village machine shop, are now taken care of at home. More work is being done during the winter and bad weather and all around a better distribution of labor throughout the year is being accomplished. Wool is being sent to the local woolen mills and converted into blankets. Considerable wheat has been ground into whole wheat flour and home baking is un-

doubtedly on the increase. The woodlot is supplying fuel in lieu of purchased coal. The home-curing of meat and the canning of home grown vegetables has greatly increased. These tendencies may be termed a form of "economania" by Roger Babson. It would perhaps be more fitting to term this condition "necessomania," but good or bad such has been the change.

This leads to the speculation that many of these habits may be retained even in better times and that the farmers of the future may handle less cash, but really save a larger per cent of their cash, than did the farmers of the past twenty years. This present condition is certainly not raising the standard of living on the farms as to clothing, conveniences and luxuries, although the standard of living as far as food is concerned is truly luxurious as compared with conditions in our cities.

In closing it should be added that many of these changes are not as those of us in charge of farms would have them. On the other hand, much good is bound to come out of these times, painful as they are. If our future depends upon adjusting ourselves and making necessary changes, we believe the owners and operators of the professionally managed farms are leading the way.

ADULT EDUCATION OF FARMERS IN ECONOMICS[1]

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If we may judge from the experience of her older sisters—elementary, secondary, college and university teaching—there is little danger that extension education will quickly solve its problems of objectives and methods. Nowhere in education is there much agreement. There is a good deal of basis for the generalization that the older the pupil, the greater the divergence of opinion as to what to do about him.

Extension, the youngest field of teaching with the oldest pupils, is obviously farthest from standardization. That is a splendid place to be. It provides the setting for all sorts of theorizing and experimentation and delightful arguments among ourselves. Incidentally, it provides a fertile and productive field for the employment of real brains and social attitudes.

This attempt at discussing extension teaching in agricultural economics is one more report in a more or less sketchy and uncoordinated theorizing, or at least play of imagination, with such experimental attempts at practice as it has led to. If it can have any merit it seems more likely to be in stimulating the imagination in certain directions than in outlining specific methods and results.

It might be worth while to mention a few of the problems of extension teaching that are generally recognized by workers in the field, and to discuss briefly in connection with each something of what we have done in Connecticut. In formal education, pupils are sorted and classified all the way from kindergarten to candidates for the Ph.D. With all this grading, the most common complaint of the teacher is the great range of ability and background of the members of his class, with the consequent impossibility of fitting either subject matter or methods to the needs of more than a few. The extension worker has a class of thousands with all degrees of enrollment from zero, or we might say minus, to ardent enthusiasm; with intellectual age limits of 7 to 70, and with capacities from near-moron to intellectual brilliance, maturity of thought, and in some cases breadth of reading far greater than the teacher's own.

In the face of this problem all sorts of measures have been proposed. Some would treat the whole farm population of the

[1] This paper was read at the Twenty-third Annual Meeting of the American Farm Economic Association, Cincinnati, Ohio, December 30, 1932.

area as one group, giving the same teaching to all who will accept it. When this policy is adopted, the question immediately arises as to the level on which to pitch the teaching. One trend of thinking is to try to reach as many as possible with each lesson, in other words, teach only subject matter of such simplicity and in such simple ways that it can be grasped easily by those of least ability. Out of this grew the "simple practice" theory, so prevalent in extension a few years ago. It assigned to the extension worker or somebody back of him the reasoning monopoly for agriculture. The results of his high power cogitations and testings were to be done up in neat little pills, easily swallowed by anybody. If, even then, the intended patient refused the remedy, the extension worker, like a patient mother, was to stand ready, with a promise of candy or a bit of jelly to persuade the pellet down.

And this method got results—of sorts. But it had, at least in cases, some unfortunate consequences. It may have improved practices, but it did not do much for men. And it tended too much to make up the extension clientele from the third-grade crowd and lose the interest and perhaps alienate the support of the natural leaders in the field. The best dairymen in a community were found saying that they did not care to go to any more dairy meetings—that they had heard nineteen times already why they ought to keep purebred bulls.

In farm management this philosophy led to attempts to teach accounting to everybody as an end in itself. In marketing it produced extension workers who insisted upon deciding all issues for cooperatives. A lot of people have never been able to learn that to allow a mistake that teaches judgment and self-reliance may be better than to prevent the mistake and raise weaklings. Such people do not make the best mothers, or administrators or teachers—in extension or elsewhere.

Of course it is possible to pitch extension teaching on higher levels and hope that it will permeate from the farmer leaders to others through the force of their example and teaching.

The other obvious general policy, and the one that we have attempted to follow (haltingly and uncertainly, it is true) in Connecticut, is to try to divide the school into classes and to fit the teaching to the grades. This, obviously, presents difficulties—perhaps insuperable ones. There is no very good way of classifying people. You cannot give them intelligence or scholastic aptitude tests—even assuming that those queer things would tell

you anything important if you could. You cannot assign them to classes even if you can find out where they belong. Imagine assigning the local grange master or leading farmer politician to the sixth grade and inviting the farming failure over in the Jones district into the graduate school! But that may be where they belong.

Perhaps about the best that can be done is to adopt the cafeteria system, put out all kinds and allow each one to select his own diet. Of course some aid can be given in the selection. If the county agent has come to know his people well, if he himself has come to, or has been sufficiently helped to understand just the nature of the subject matter to be presented and the type of person to whom it is adapted, he can issue his invitations discreetly. If situations are wisely handled, with passage of time mistakes will be fewer, groups more homogeneous and material and presentation better adapted to personnel.

In Connecticut, our attempts are probably not dissimilar from those of many other states. A part of the work is aimed to reach the general public indiscriminately. Most of the printed material issued in extension aims to present relatively simple practices applicable to carefully outlined situations. "If you are running a one-man farm which produces only feed enough for 8 or 10 cows your income is likely to be better if you add two or three hundred hens, or, if you have suitable land, five acres of potatoes." Similar concrete material is presented in general talks over the radio, through the press, in circular letters, sometimes issued in series by county agents. We conduct numerous field trips to bring vividly before people successful adjustments to situations as they have been worked out by the farmers themselves. All these things are familiar to every extension field man.

We have been very much interested in attempts to teach time and effort-saving ways of doing things. It may require a little stretching of terminology to include this under economics at all. For instance some research and a little experimenting gave us confidence that the amount of labor used in silo filling could be reduced readily to less than half the typical amount. For four years we have been holding silo filling demonstrations in the harvest season. The simple equipment required is built on the ground, the farmers present doing most of the work. Then contrasting methods and equipment are tried in the field, true records taken, and labor input figured on a blackboard where all may see it. If anybody thinks he has a better way, that is tried.

Quite a few improvements have come from the suggestions of farmers studying the processes and developing ideas of their own. We believe teaching practices such as these makes a direct and worthwhile contribution to welfare. They can be understood and adopted easily by almost every farmer. They spread rapidly and affect the practices of an entire area.

If we classify this work as elementary, we might call our farm accounting junior high. We follow the practice common to many states of aiding in the analysis of records and consulting at least by mail on business changes which the records appear to indicate.

Budgeting, in which we are making a renewed attempt this year, is carried on in one-day schools in which each farmer estimates receipts and expenses for the coming year, and tests by budgeting the probable effect of various adjustments in business organization or method. The extension worker's responsibility is to provide input-output figures, outlook information, the general method of procedure, and perhaps suggest types of adjustment for consideration.

One of the most interesting attempts at more advanced work is involved in our so-called Young Farmers' Clubs. It endeavors not only to reach a special group but to carry them along for several years into progressively more difficult and advanced subject matter. These groups are practically classes, meeting monthly through the winter months and going on one field trip in the summer. In the beginning the membership is secured by invitations issued by the county agent to a selected list of the young farmers of an area. "Younger" is usually 25 to 45. Nobody is barred and we occasionally have, as persistent attendants, men up to 70 years of age and just as young as the rest. We want men of good capacity who are looking forward and not back. The personnel of these clubs varies greatly. Nearly all the members of one club are college men—principally graduates of Yale or Harvard—and they needed the work as much as anybody. Other groups are entirely untainted by advanced education.

The teaching starts with pretty direct and immediately applicable discussions of farm organization and practices and leads on to more general matters of economics as the development of the individual club warrants. Meetings are usually held in the evenings and after the planned program continue indefinitely as round tables or forums for which no problem is too deep or difficult.

These clubs were originally planned to last not over three years with any one group of members. Many of them have refused to die at the appointed time, however, and we now have a few that are nine or ten years old and still insisting on meeting at least occasionally. It has been interesting to watch members of the older clubs gradually moving into positions of leadership in the agriculture of their counties and the state. There is no obvious way by which to measure results in this sort of thing, but we are quite confident that the clubs have contributed much to the soundness of the economic thinking of these men and that through them an invaluable force toward sound and sane agricultural policy is exerted.

As illustrating some of the difficulties in attempting to give work adapted only to men of particular types of mind and interest, you might be interested in an effort we made last winter to give a course in economics of the tobacco industry. Tobacco growing is confined in Connecticut to a rather small area but dominates the agriculture of that region. Economic extension work has probably made less contribution to the agriculture of this region than to almost any other of the state. In fact until recently there has been no adequate research background for extension work. Extension workers are less well known and are less looked to for contributions to the solution of problems there than in any other part of the state. The area, like many specialized areas, has in the past few years been experiencing the depths of agricultural depression.

The plan evolved in conference with a few local leaders was to conduct a course of six lectures, or, more properly, discussion meetings, each one repeated several times at strategic points in the area. The course included two sessions on tobacco prices, one on tobacco costs as related to production practices and farm organization, one on farm organization, one on marketing, and one on the outlook and its bearing on adjustments. The plan of the course was basically to relate applications to fundamental economic principles. Its aim was more to contribute to the basis for sound thinking than to promote immediate adjustments.

As to attendance, the aim was to secure a good discussion group of from 15 to 30 of the thoughtful, rationalistic type of farmer. The county agent is a good man at writing letters and issuing publicity. The farmers of the area were under pressure of a difficult financial situation. As a result, the first meetings found the halls full of men, 100 or more at a meeting, who wanted

to find out how to pay their bills or sell their tobacco for which there appeared to be no buyers. We didn't know the answer to either question. That was one reason why we were trying to get at the best brains of the area with which to pool the bit of theory and method that we thought would be useful in combination with their practical knowledge and intelligence.

The first meeting had been planned—not altogether without design—for a discussion of price theory, the most abstract and unapplied meeting of the whole lot. Well, we are all alive; the county agent—who had not quite visualized the situation—did not expire, although he was on the verge of a breakdown for some time.

The next meetings, in the same places, had an attendance of around 30 each, and these farmers, by and large, stayed through the rest of the series and constituted interested, capable discussion groups. It was a drastic process of selection of the fit for this kind of thing. The next time we hope to accomplish the same result before the first meeting, instead of at it.

We have had one or two other experiences of somewhat similar nature. In each case, however, the extension worker has refused to lower the standard of his course to match the level of the least capable part of an extremely miscellaneous group.

We have been conducting, annually, a two or three day agricultural leaders' conference at the state college, with an attendance which is by personal invitation and limited to a working group of about 150. In addition, last spring a one day outlook conference was held on the same basis. We have been fortunate in these conferences in being able to reinforce our local staff with some of the leading men in the agricultural economics field of the country.

On the formal program appear farmers, administrators and economists, side by side, and Louis Grant of Buckland, tobacco and potato farmer, or Harold Strickland, John Schukoski, Julian Thayer, Ed Coer, Ben Dibble, A. C. Sheldon—it is unfair to pick out a few—do not suffer from coming next to H. C. Taylor or H. R. Tolley. The soundness of judgment, keenness of thought, and fundamental economic grounding of such men is an inspiration to those of us who have an opportunity to work with them and watch them in action. But undoubtedly you all have your Ernest Skiltons and Will Curtises and Harry Farnhams and understand the situation perfectly well.

We consider this the most advanced work that we attempt. As

a rule, if forced to choose we should prefer as the result of a conference an advance in sound understanding, rather than a poorly understood plan of action, however good it might be. We do not believe formal resolutions and findings amount to much unless they express the real thought of at least the majority of those in conference. In fact in 1931 we did not print the most fundamental resolutions adopted in the final session, although we of the staff were heartily in accord with them, because it seemed evident that a large part, very likely a majority of the membership, had not thought completely through their most important implications. These resolutions declared against any attempt of agriculture to raise prices of agricultural products to any particular ratios to other commodities by concerted limitation of production.

It is very doubtful whether advanced work could be carried on successfully, unless it were preceded by a great deal of more elementary extension both to lay the ground work and select the participants. Many of the types of economic teaching that we are trying to carry on in Connecticut have been outlined in discussing this one problem of grading of teaching subject matter and pupils. There are other phases of the teaching problem that should be referred to briefly.

Perhaps something should be said as to methods, although we feel pretty humble in this matter. We rely increasingly on discussion groups or conference teaching particularly for more difficult subject matter. This has many advantages, among them not the least that it provides opportunity for the real teachers to emerge. By far the ablest tutor may be John Jones from up at the cross roads and the best extension men are wise enough to take advantage of the fact. One is never certain when he enters a discussion group, in which direction the process of education will flow.

The technique of conference and discussion teaching needs developing. At present there is not much to be learned about it in a formal way—the teacher has to depend largely on native invention and common sense.

Then there is the problem of what to teach. A fairly common answer is that it is the job of the research organization to discover the truth and the extension organization to peddle it out. This makes a nice, neat, businesslike specialized arrangement. Research is the production and extension the merchandising unit of the business.

But there are a few difficulties connected with such an easy method of passing the buck to the research organization. The biggest is that economics is not, whether you like it or not, very much of an inductive science. Not very much that is fundamental in it is the product of research of the usual sort. So long as this remains true the most important subject matter must be drawn from other sources than the research agencies.

To be sure, we are primarily concerned with economics as an applied science, but an applied science applies *something.* In economics that "something" is primarily economic principles which are applied to the specific situations revealed by research or it may just as well be disclosed by rural people from the facts of their knowledge and experience. The principles are the common property of economists, whether extension or research. Careful testing of applications to situations by the research organization is desirable wherever practicable, but problems are too numerous and researchers too few to permit of such testing in any but a limited number of cases. In a great majority of the cases the extension worker must carry such general principles and facts as he can to those concerned, and he with them, or they alone, must make the applications.

It seems to us that in the very nature of the problem lies the necessity that economic teaching, if it is to be of real significance, be primarily engaged in teaching economic principles, points of view, methods of analyzing situations and problems and ways of arriving at decisions rather than applications and decisions.

It is easy to make this point of view appear ridiculous—to picture the reception of the extension worker who would go out with a copy of Marshall in one hand and Ezekiel in the other—but such a man, silly as he would be, would not be much funnier and not half as dangerous as one who entered the field determined to peddle immediate practical solutions to all the problems of an area. It is a fair guess that extension teaching has suffered at least as much from lack of economics as it has from lack of facts. Possibly even some research work has had a similar handicap.

Of course any sound extension teaching program involves a judicious combination of principle and practice, with the proportions adjusted to the strength of the patient. It is likely to fall on deaf ears if it is all principles, and to accomplish little of fundamental significance if it is all practice.

Just as basic a question as those of whom, how and what to

teach is that of the function of extension teaching. Just what sort of agency is extension? What it its job anyway? Without attempting to answer the whole broad question, which has already had a diverse response from many sources, it may be pertinent to state how we interpret it for the field of economics in Connecticut.

There are those who have endeavored to interpret the job as, at least in part, assuming some of the functions of management —making decisions as to how farmers or cooperators should do this or that, meet this or that emergency or organize to conduct their affairs. You have probably even heard farmers or directors or committeemen say, "We hire Mr. Blank to think for us, and have confidence in his judgment. If he thinks it is a good thing, we will support it."

Our attitude would be that the extension man who draws out such laudatory remarks to that extent demonstrates his unfitness. It is his job to think, to be sure. Most extension men do—more or less. But it is his job to think *with* his people, not for them. He is a bringer of materials and a teacher of methods, but his first job is to develop men, not to get decisions.

To close with a text instead of starting with one, we might turn to the Bible of Classical Economics—Marshall's "Principles," and find Book sixth, Chapter XIV, page 718, line 1: "The schoolmaster must learn that his main duty is not to impart knowledge, for a few shillings will buy more printed knowledge than a man's brain can hold, but it is to educate character, faculties and activities."

We believe in Connecticut that these words contain more than a kernel of wisdom—that they outline pretty well the most fundamental things in extension teaching in economics.

PROGRAMS OF ADULT STUDY OF TAXATION[1]

HAROLD HOWE
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Extension education in taxation calls for a program different in several respects from that employed in other phases of adult education. The adoption of good taxation practices rests entirely on group action while in most other lines of college extension work group action is desirable, but not absolutely necessary. An individual may use to advantage his knowledge of marketing regardless of the practices of his neighbors. In contrast, an individual is powerless in putting into practice his knowledge of taxation unless his neighbors act with him. Consequently, a program of adult study in taxation must necessarily have the two fold objective of (1) carrying information to the individual and (2) developing and guiding groups. Extension education in taxation also differs from other forms of adult study in that it cannot be confined to one group or class of citizens. The adoption of a program of taxation revision, except in strictly local affairs, calls for united action from a majority of all groups.

While some difficulties lie in the path of an adult tax study program, it is aided by at least one outstanding advantage. This is the intense and almost universal interest that is now taken in the subject of taxes and governmental expenditures. That much is being done to take advantage of this interest is shown by reports of organized educational programs in a great many states. These programs are carried on by many different agencies in many different ways, but reports indicate that all are popular and are meeting with a large degree of success.

In the discussion of a program of adult study of taxation, the statements will be confined rather closely to Kansas because of familiarity with the situation there and because it is believed that the activities in that state are a fair sample of the activities over the entire United States. The extension division of the agricultural college in Kansas does not carry taxation as a regular extension project, but a large amount of extension work has been done in cooperation with the extension division and the county agricultural agents through the medium of addresses, radio talks, and the distribution of experiment station publications and articles on taxation. In addition, since the time Eric Englund in-

[1] This paper was read at the Twenty-third Annual Meeting of the American Farm Economic Association, Cincinnati, Ohio, December 30, 1932. Contribution No. 83, Department of Agricultural Economics.

troduced the station project in taxation in 1921, the college has cooperated with various agencies such as the general farm organizations and the Kansas Chamber of Commerce in fostering study of taxation.

The most recent experiment in adult study of taxation in Kansas is the Tax Study Club Plan, a project in which the college has taken an active part. Because this project is unique in some respects, it may be well to discuss the features of the plan in some detail.

The Tax Study Club Program in Kansas

This particular project in the study of taxation originated with the Kansas Chamber of Commerce. For several years the Chamber has directed its research work and the work of its committees along taxation lines because it believed this to be the most important public problem of the time. The idea of making tax study a major project grew out of a meeting, late in the fall of 1931, of the Secretary-Manager of the Kansas Chamber of Commerce, the Chancellor of the State University, the President of the State College, and the tax specialists of these two institutions. At this meeting it was decided that other groups should be invited to take part in the proposed project.

Another meeting followed at which time a Committee on Public Information was created to work out the details of a plan for tax study and supervise the preparation of subject matter. This committee, which has been responsible for the tax study program, included in its membership the presidents of the three major farm organizations in Kansas, namely, the Farm Bureau, the Farmers Union, and the Grange and representatives of the University of Kansas, Kansas State College, and the Kansas Chamber of Commerce. At this meeting an outline of the subject matter for the lessons was presented and approved and the tax specialists of the two state schools were instructed to prepare a course of 13 lessons on taxation. In subsequent meetings of the Committee on Public Information, policies regarding publication and distribution of lessons and instructions for organizing study clubs were determined.

A small committee representing varied interests in the state was appointed to edit the lessons as they were prepared. The main objective of this committee was to make certain that both sides of controversial subjects were fairly presented. In the case of controversial subjects, the plan was followed of making a general statement followed by the arguments for and against.

In 13 comparatively short lessons it is impossible to cover the broad field of taxation, but the course does present an outline of the entire field and treats in detail the subjects that were considered to be of most immediate importance. The purpose of topic number one was to furnish a background for the study of taxation. The material does not deal directly with any particular phase of taxation, as such, but it explains why taxes are levied. Topic two explains the expenditures of federal, state, and local governments. Topic three describes the tax systems of the federal, state, and local governments. Topics four, five, and six trace the origin, development, and present status of the property tax. Seven and eight deal with the income tax. Nine takes up taxes on production, consumption, business, and sales. Ten outlines the problem of highway taxes and special assessments. The eleventh topic treats of inheritance and poll taxes, fees and licenses. Twelve analyzes methods of controlling public expenditure, and thirteen summarizes the series with a discussion of the Model Tax Plan of the National Tax Association and a brief review of some Kansas tax problems.

The plan of tax study developed by the Committee on Public Information was to foster the organization of groups of persons interested in learning more about taxes. These groups were to use one lesson of the series as a basis for discussion at each meeting of the study club. A handbook describing the plan of tax study and suggestions for the organization and conduct of study clubs was distributed widely over the state. The mails and newspaper publicity were depended upon largely for distribution of the lessons. The newspapers of the state gave excellent support. As a result, a number of clubs were organized even before the first lessons were printed. The cost of the lessons was 60 cents per set. This small charge barely covered the cost of printing and postage. Aside from the necessity of financing the project, it was deemed advisable to make a charge for two reasons: (1) To insure that the lessons did not go into the hands of mere curiosity seekers, and (2) it was believed people would consider more seriously something for which they had to pay.

A set of suggestions for the management of tax study clubs, a bibliography of reference works for club members interested in special studies, and an attendance record blank were forwarded to each club leader. Many of the references were taxation publications of the Agricultural Experiment Station and the University of Kansas. The numerous requests for these publications

indicated that many of the members went beyond the content of the lessons in their study. Largely because of the activity of the study clubs, the entire supply of 6,000 copies of one Experiment Station circular dealing with taxes was exhausted in a period of nine months. The State Budget Director also cooperated in furnishing charts and maps of state finances in sufficient numbers to supply one copy to each person who purchased a set of lessons.

Most of the clubs had their first meeting in April and met once a week for 13 weeks. Some clubs met twice a week and completed their lessons before the summer months. Others dispensed with meetings during the summer and finished their lessons in the fall. The objective in most cases was to complete the course before the general election for three of the lessons dealt with the two proposed tax amendments which were attracting much attention. All of the groups had leaders, but the duties of these leaders varied in the different clubs. In some clubs, a different discussion leader had charge of each session. In some clubs, the subject matter was read during the time of the meeting. In others, this was dispensed with and all of the period was devoted to discussion of the text. The questions that were a part of each topic were found helpful in bringing out the pertinent points in the lesson.

The number of clubs organized is not definitely known. From the information available, it is estimated that there were more than 200. A large percentage of these clubs completed the 13 lessons. The club idea seemed to be as popular in the rural as in the urban centers. Clubs were organized from the membership of Farm Bureaus, Rotary Clubs, American Legion Posts, local Chambers of Commerce, Granges, Kiwanis Clubs, Teacher Groups, and Women's Clubs.

The tax study lessons were also used by individuals not associated with any group. Up to the present time, 2,800 sets of the lessons have been sold and orders are still being received. The orders came from 202 cities in 89 out of the 105 counties in the state of Kansas. In addition, orders were received from 118 cities in 40 states outside of Kansas.

The number of sets of lessons sold does not represent all of the persons who actually used the tax lessons. In a number of the clubs one set of lessons was used for the entire club. In one particular case a county agricultural agent organized a club which met on Saturday afternoons in the court room of the county court house. The attendance at these meetings was from 50 to 100 and

yet only one set of lessons was used. While this is an unusual instance, it is true that a number of clubs having from five to 20 members used only one set of lessons. The assumption that two persons made use of each set of lessons is reasonable.

The organizations sponsoring tax study believed that those who took the course would be able to formulate some good suggestions for a tax program and so there was prepared as a supplementary lesson, a ballot to be filled out by the study club leader after a discussion and vote by the members of his or her group on the questions asked. The response to this was disappointing. Few ballots were returned. The procedure in handling this part of the program probably was largely to blame for the lack of response. The ballot was mailed to the leaders after most of the clubs had completed their course of study. If the questionnaire had accompanied the last lesson and reached the groups while they were still intact, undoubtedly, there would have been a much better response.

The next step in this particular project in Kansas has been the preparation of a tax program by a technical advisory committee consisting of the tax specialists of the University of Kansas and the State College and the Research Staff of the State Chamber of Commerce. This program is of two parts, a short-time program for consideration by the 1933 Legislature, and a long-time program. A tax committee composed of men of varied interests including farmers, business and professional men, and corporation representatives has passed on this program, and it is now being given publicity.

Results

In a project such as the one described it is exceedingly difficult to point to tangible results. One certain result is that approximately five to six thousand persons in Kansas have a clearer understanding of the tax problem. Furthermore, the exchange of ideas in the discussions which were an important part of the club meetings unquestionably was of value in breaking down the preconceived prejudices and erroneous notions held by some of the participants. The influence of this information goes farther than the five or six thousand persons who read the lessons and participated in the study clubs, for without a doubt the person who was willing to spend his time in reading the lessons and attending the meetings was a thinking person, the kind of person who leads the mass of public opinion.

There is one tangible result for which those associated with the project are presumptious enough to claim partial credit for the tax study clubs. The discriminatory voting of the Kansas people at the general election when they passed upon the two tax amendments—these amendments were stressed in the lessons—indicated that some careful consideration had been given to the tax problem. The income tax amendment, which two years previously had been voted down, carried in November by a majority of more than 100,000 votes. The tax limitation amendment which proposed to place in the constitution a two per cent limitation on the total property tax rate in cities and a 1½ per cent limitation on rural property was defeated by more than 50,000 votes.

Methods of Promoting Tax Study in Other States

The discussion of a program of adult study in taxation should include a description of a number of the excellent projects that are being carried on throughout the country. Time will permit of the mention of the high points of only a few of these outstanding pieces of work. The work in Connecticut, California, and South Dakota may be mentioned because these states are widely separated geographically, and the project of each state demonstrates the effectiveness of at least one method of centering attention on the study of taxation.

In Connecticut, among other things, the development of farm leadership along taxation lines has been stressed. This leadership has been developed by the agricultural policy conferences held annually at the college. One of the lines most emphasized at these conferences has been taxation. The Connecticut Agricultural Tax Committee which was established by the first conference in 1929 has been actively promoting a program of legislation for the improvement of the tax system. An important part of this committee's work has been the coordination of the activities of the tax committees of the various state agricultural organizations as well as the promotion of education in tax matters among the people of the state.

In California, the Farm Bureau Federation has stressed the appointment of county and community farm bureau tax committees. The research department of the Farm Bureau Federation prepares a definite work schedule for these committees and endeavors to keep them active upon timely projects throughout the entire year. One of the duties of these tax committees is to

present at meetings in their respective counties the facts furnished by the research department of the state organization. These reports have the effect of training the tax committeemen, informing the public, and shaping a tax policy.

In South Dakota, the extension service of the agricultural college has assisted local groups, committees and individuals in analyzing tax levies. The tax levy of a county is analyzed to show the cost of each service to the individual tax payer. With the aid of charts and tables, a functional distribution of the levy is shown. Comparisons of all items with those of former years are also made. Encouragement is given to local farms and civic organizations to sponsor these studies.

Conclusions Regarding Programs for Adult Study of Taxation

Any conclusions regarding a program for the study of taxation must of necessity be general in scope because of the widely diverse problems, conditions, and agencies to be found in different states. The work in taxation education, however, does appear to divide itself into three parts: (1) The dissemination of taxation information through all available channels, (2) the formulation of a plan of tax revision, and (3) the development of leadership to carry out the program.

For the dissemination of taxation information many different methods may be employed. A series of radio talks or a series of newspaper articles describing in orderly manner the fundamentals of the taxation problem is one of the most effective means because it reaches a large number of persons. The distribution of information on local tax levies by a plan similar to that used in South Dakota is good because its local application immediately attracts attention. Fostering the organization of groups to follow a course of study in taxation assures a thorough presentation of the material. This method can be used successfully when there is some predominant issue at stake to attract attention, as in Kansas when two important constitutional amendments were up for consideration. The preparation and distribution of articles on special subjects is also necessary to meet the demands of those who want detailed information on certain phases of the taxation problem.

The formulation of a complete plan of tax revision is basic in a program of adult study. Individuals interested in taxation study invariably are impatient to know the remedies. If a work-

able plan of tax reform can be presented as a part of the instruction in taxation, more tangible results are obtained. Complete acceptance of the program is not to be expected and is not necessary, for the chief good comes from having something definite upon which to build.

Since taxation knowledge can be put into practice only through cooperative effort, leadership is essential. The means of securing leadership may be either to develop it for a definite purpose to do a definite task or to utilize that leadership already existing in organizations which are willing to cooperate in a program. Where such organizations exist, the latter plan is desirable because it saves an enormous amount of work in building up and keeping alive the leadership desired. Specifically, if the objective is to disseminate information to farmers and if the farm organizations are willing to cooperate, additional leadership is superfluous. The big problem here is in coordinating the work of the various organizations.

Mr. Samuel Wilson, Secretary-Manager of the Kansas Chamber of Commerce, who was in large measure responsible for the tax study club project, aptly described one important problem of leadership in the following words: "If public acceptance of any such project is to be spontaneous rather than grudging, then it must be undertaken under auspices which are obviously unbiased. Where there are conflicting interests in respect to the issue being treated, this interest must have balanced representation in the group which offers the proposal to the public. The Tax Study Clubs in Kansas were developed from the outset by joint action of the commercial, agricultural, and educational interests. This joint action by interests which are sometimes in conflict, disarmed public suspicion."

Work in adult education in taxation is accomplishing results. People are coming to a better understanding of how and for what purpose tax money is spent. Increased knowledge has resulted in quite general recognition of the fundamental requirements for equalizing taxes and reducing governmental costs. Interest in the movement for the consolidation of counties and the abolition of townships is only one of many evidences of the broader understanding of taxation problems. All of which indicates that extension education in taxation is worthwhile.

METHODS OF ADULT EDUCATION IN PRICE ECONOMICS[1]

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During the last decade there has been a very rapid development in adult education in agricultural price economics. This is not merely a coincidence, nor is it just the result of a larger number of people working on this phase of education. The fundamental reason for this development has been the increased interest among farmers in price economics caused by the relative position of agricultural prices. During the rising price period which ended in 1920, farmers were not generally dissatisfied with price conditions. At that time greatest opportunity lay in larger production and most farmers made money regardless of what they produced or when it was sold. During the period of generally falling prices more consideration has been given to prices, especially among farmers whose major difficulty has been the unfavorable price relationship between agricultural and non-agricultural commodities. Their attention has been centered on prices and many farm organizations have based their programs largely on an improvement in the price which farmers receive for their products. This demand for price information has come from farmers but the methods of supplying this information has been largely in the hands of economic workers. There has been one main objective but a wide range in methods employed.

One of the first methods which economic workers used quite extensively a few years ago was that of telling farmers what they should do. They were told to reduce their corn acreage, to breed fewer sows, to raise less wheat, and were given general advice which was designed to apply to all engaged in the production of a certain product. Needless to say, this method was never very effective. One of the first essentials in supplying farmers with economic or price information is an understanding of the farmers' problems. Individual farmers must take account of many other factors besides the price outlook for a commodity before making a change in the size or intensity of any enterprise in their farm business. Any change in a crop enterprise will affect the acreage of other crops and possibly the supply of feed while changes in a livestock enterprise must be regulated, at least in

[1] This paper was read at the Twenty-third Annual Meeting of the American Farm Economic Association, Cincinnati, Ohio, December 30, 1932.

part, by feed supplies, buildings and equipment available, the distribution of labor, and other farm management factors. The final test of the advisability of such a change is the influence on the farm income from the entire farm business rather than the price per pound or per bushel for a given product. This can be known only by one who has a definite knowledge of the organization of this individual farm. Farmers are not interested in making changes in their business to help the entire hog business of the nation, or the dairy business as a whole, but only as those changes will help their own farm incomes. General advice designed for all farmers is not effective. If given at all it must vary with each specific case. We may be able to tell farmers when they should sell their hogs in order to get the highest price per pound but only the individual producer or someone well informed about his business, knows the feed supplies, the labor available, the condition and size of the hogs, the need for cash, other uses for the feed, and numerous other important factors of the farm business which may influence the income from the entire farm for the year even more than securing the highest price per pound for this one product. Also, I do not have very much faith in farmers acting purely because of advice given them, even if it should be for their own specific case. Farmers have been filled up on advice the last few years. Certain recommendations may help them to analyze their problems more accurately but the final decision upon what they will do or will not do is made only after a study of all the information or advice available. Helping them to analyze their problems is much more effective than advice.

Another method of adult education in price economics has been to give the farmers a price forecast based upon a complete statistical analysis of available data. Every producer must, to a certain degree, have a forecast of what is ahead. However, any prepared forecast which farmers do not understand together with the reasoning back of it carries very little weight in the formulation of their decisions. This is especially true if some previous forecast has been wrong. At a meeting of hog producers in one section of Ohio during the first week in August reference was made to an article which had appeared the previous week in a leading Ohio farm paper and which most all had read. This article stated that the high point in hog prices would be reached in September this year. The policy which has always been followed in price economic work in Ohio of leaving all price forecasting to the individual farmers was followed in this meeting

with special caution against giving any indication as to how the discussion leader felt about prices for the remainder of the year. Information on the number of hogs on farms, market receipts, storage holdings, demand, and general price level changes were discussed as usual in a "Hog Situation Meeting." At the close of the meeting all men were asked to vote on whether they thought the fall peak of hog prices was still ahead or whether it was passed. More than 80 per cent of them voted that they thought it was already passed and later results showed that they were correct. I am sure that those producers had a better analysis of the hog situation and were better prepared to analyze it as information became available during the rest of the year because they had analyzed it themselves, than if they had been given a complicated statistical analysis of hog prices projected into the future. I am also convinced that those farmers, many of whom had been following current economic information and who had attended hog situation meetings before, were analyzing the hog markets by means of their own information rather than basing it on someone's opinion.

In any price education work with farmers, great care must be exercised in avoiding statements, figures, or charts which they do not understand. Any statement or chart which is not clear and completely understood would be much better omitted altogether. If the attention of the audience in a meeting is lost for a moment, several minutes are usually required to get it back. The same is true of farmers bulletins or publications, as some analysis which is not understood is usually the end of the bulletin as far as the reader is concerned.

One of the major objections to statistical price forecasts as teaching methods is that they are not always correct. One of the first major problems which economic extension workers met a few years ago was the unfavorable attitude of farmers toward government figures. Ten years ago in almost every economic situation meeting in Ohio, some question was raised about the accuracy or even the desirability of government crop report figures. One of the first tasks in economic information work has been to give a better understanding of the collection and uses of government figures and to help create confidence in them. Until this confidence is present, adult education in price economics cannot progress. Forecasts which are not correct tend to destroy this confidence as farmers do not generally distinguish between actual data, estimates, and forecasts unless they are accompanied

with considerable explanation. It is human nature to remember statements which do not prove to be accurate and farmers are by no means an exception. This danger is especially important when one of the objectives is to build up confidence and most economic extension workers soon learned the danger of definite price forecasts. This difficulty was not necessarily the reaction against the individual when he came back to the community at a later date but the danger against the whole program of teaching price information which must be founded on confidence in economic facts.

Another rather definite method of conducting economic information work among farmers has been that of giving the economic facts which are essential for the interpretation of current information as it becomes available. This method is slow and by no means spectacular. However, I am convinced that the ultimate objective of adult teaching in price economics is that of giving farmers a background of understanding so that they can interpret current information in terms of their own business. This does not mean that they should understand correlation or some of the complicated formulae which the economic worker may use but that they understand the fundamentals of supply and demand, that they understand the hog cycle, the normal seasonal changes in certain prices and the major factors that influence the price of different commodities. Certain workers have overestimated the ability of farmers to analyze economic facts but I believe it is just as serious a mistake to assume that farmers will never be able to understand the most important facts of price economics. It is also essential that they understand the difficulties in the way of a long time price forecast and a realization that they must be able to interpret changes as they occur.

In my opinion there are three distinct features in a desirable economic program for farmers. The first is the collection and analysis of information which is done largely by the research workers either in Washington or the States. The extension teaching of price economics is based almost entirely on the information supplied by the Bureau of Agricultural Economics at Washington, and, needless to say, could not progress without this information and the personal assistance from that source. The second essential is teaching farmers the economic background necessary to understand economic information; and the third is supplying them with correct information in understandable form. It is not important whether farmers secure current infor-

mation over the radio, from newspapers or from regular channels designed purely for that purpose. However, it is very important whether or not they can properly interpret this information and for that reason I feel that this economic background teaching is one of the most important phases of the entire program of adult education in price economics. Economic facts alone do not suffice as some assistance in interpretation is essential.

In Ohio, 1,436 economic situation meetings have been held with farmers by the extension specialists in farm management during the last nine years with a total attendance of over 82,000. A part of these meetings has been devoted to the immediate outlook but a major portion of the time has been given to the teaching of the so-called background information so that producers may be better able to interpret current information. Some of these meetings have been on the "hog situation," some on the "poultry situation," others on dairy, beef cattle, sheep, wheat, potatoes, tobacco and other commodities important in this state. Other states have followed similar plans on commodities important in those states and I am referring to Ohio because of my familiarity with this program. In almost all cases only one commodity has been discussed at a single meeting. I do not believe it is possible to go into a complete discussion of the economic background and give a clear understanding of the factors affecting the price of very many different commodities in one meeting or one day. It is entirely possible to give the immediate outlook for a large number of commodities but, in my opinion, this is not the most important part of a meeting of this type. Outlook meetings which cover from eight to twelve or more different commodities at one time do not offer much opportunity for studying the factors affecting the price of each product. Farmers do not decide at this meeting or at this particular time how many sows they will breed, how much wheat they will sow, the number of chicks they will buy, the number of old hens and pullets to keep over winter, or whether to keep a heifer calf or sell it for veal. These and numerous other decisions will be influenced by the price outlook but the actual decision is not definitely made until breeding time, seeding time, or during the hatching season. This decision is based upon the information which this individual producer has in mind at that particular time and not upon what the outlook might have been six months or nine months earlier. Too many times decisions on changing the extent or intensity of a certain farm enterprise are based on the price at the particular time the

change is made without knowing the fundamental reasons back of this price situation. The outlook for different products must be considered as relative to the outlook for other products. A drop in hog prices may change the dairy outlook or a change in the dairy outlook may influence any change in the poultry enterprise. Again let me state that the objective is to improve the income from the entire farm business.

The season of the year when farmers are forced to make these definite decisions is the best time for special economic situation meetings. More than 80 per cent of the special hog situation meetings held in Ohio during the past nine years have been held between August 15 and November 1, during the heaviest breeding season. Most of the wheat situation meetings have been held just before seeding time, and most poultry situation meetings at about the time pullets were housed for the winter. The timeliness of these meetings has much to do with the attendance and interest which are the first essentials of desirable results.

The use of charts is quite essential in teaching price economics. Farmers can visualize from their own experience, the conformation of a cow, the yield of corn, or a feeding ration, but it is much harder for them to see a price trend or a production cycle which has not been experienced in tangible form in their everyday life. A few simple charts add to the effectiveness of such teaching providing they are correlated with the experiences of those being taught. Charts are chiefly a means of making a thought more clearly pictured in the minds of the people. In order to be effective charts must be simple, fully explained and not too numerous. I believe that many economic meetings with farmers have been ruined by the use of too many complicated charts, just as others have been greatly aided by an intelligent use of them. The effectiveness of any teaching method among farmers is not the amount of information which is given them at a certain time but how much is carried home with them in such a way that it can be used throughout the whole year in better analyzing their daily problems and arriving at sound decisions in their farm business.

Some states have prepared a series of so-called "Facts" leaflets which include the same charts and a simplified discussion of the information presented at these special economic situation meetings. These leaflets add to the effectiveness of information taken home from a meeting and also offer an opportunity of reaching more people. In addition to this, some means of supplying current economic information to farmers is essential and

most states at present send out some current publication of this type. However, it is my opinion that teaching this background information which is necessary for the proper interpretation of current information is just as essential as supplying the current data. Much of the current information becomes available through other channels while teaching how to interpret and apply it remains largely with economic workers.

At present I believe all extension specialists and all county agents or vocational teachers are, to a certain degree, economic workers. No project of any kind can be discussed fully without some reference to the economic phase and it is gratifying to see the increased use of economic material by all people working with farmers. During the past year county agents in Ohio purchased with their own private fund, over 300 economic charts for their own use in their county programs. In this state, county extension workers, following a series of economic schools, are supplied with a weekly economic letter to help them keep up to date on economic conditions. They meet the farmers individual problems and much of the effectiveness of economic teaching of farmers depends upon the ability of county extension workers to handle this information.

In conclusion, price economics can not be separated from farm management practices. Farmers make their own decisions based upon the best information they have at hand. An outlined plan aids their analysis but their actual decisions are made just prior to the action. Farmers will make those adjustments which they feel will help the income of the entire farm business. The best method of adult education in price economics is the one which supplies the largest number of producers with current economic information after they have learned the background information necessary to interpret current conditions properly in terms of their own farm business.

Farmers will not change their production practices in order to help an industry as a whole, but only as they see some advantage to themselves as individual producers. They are interested in their own farm incomes and adult education work in price economics must be directed toward its improvement.

PRACTICE AND THEORY OF MARKET EXCLUSION WITHIN THE UNITED STATES[1]

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The only qualification which the writer appears to possess for treatment of this subject is his knowledge of the marketing of dairy products, in which field many illustrations of market exclusion are found. In the absence of specific research in this field, or any knowledge of the legal questions involved, all that can be done is to cite instances wherein important digressions have been made from the principle of free trade within the United States and to state the apparent effects of such action upon the interested groups.

Market restrictions of economic significance have existed within the United States for a long time, but the sharp shrinkage in demand and the drastic declines in prices have prompted many new efforts to stabilize prices locally by this means. It appears that the constitutionality of laws and regulations which are in fact acts of market exclusion, depends upon whether or not they are a reasonable exercise of the police powers of the state, city, or other division of government.

Although most of the illustrations of market exclusion known to the writer are found in the marketing of dairy products, attention will first be given to a few examples in other fields. Among the best known instances of market exclusion are the quarantine law and regulations of the State of California, which for many years have effectively excluded citrus and other fruits produced outside its borders.[2] Quarantine regulations in respect to citrus fruits also are maintained by Arizona, Florida and other southern states. A large number of states have quarantines against the alfalfa weevil; no importation of alfalfa being allowed from specified states of which there is a long list.

Quarantine laws and regulations have been promulgated in many states to exclude cattle afflicted with certain insect pests or infectious diseases, particularly bovine tuberculosis and Bang's abortion disease.[3] Although in most instances the movement of cattle has not been seriously restricted by these regu-

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[1] This paper was read at the Twenty-third Annual Meeting of the American Farm Economic Association, Cincinnati, Ohio, December 30, 1932.
[2] Thompson, Maude A., Summary of State and Territorial Plant Quarantines Affecting Interstate Shipments. Misc. Publication No. 80, United States Department of Agriculture, 1930.
[3] State Sanitary Requirements Governing Admission of Livestock. Misc. Circular No. 14, United States Department of Agriculture, 1932.

lations, an important exception may be cited. In October, 1932, the Commissioner of Agriculture of the State of New York issued the following order: "All cattle over six months of age imported for dairy or breeding purposes shall come directly from herds certified to be free from Bang's disease by the chief livestock sanitary official . . . of the county, province or state of origin." The order further specifies in detail the certificate which must accompany each animal brought into the state. Since there are extremely few herds in the United States that could qualify under this order, its effect was to stop practically all shipments of cattle into the state. This order is being contested in the federal courts by Wisconsin cattle shippers.

Such quarantine regulations have more or less economic significance depending upon the volume and normal direction of trade movement in the commodities affected. In order to judge the relative importance of economic and other motives for each of these regulations, one needs to have an intimate knowledge of the conditions. It would seem that a quarantine against any disease or pest which exists within the district to be protected is unreasonable, unless a definite program of control or eradication is also being carried out.

Market Exclusion as Applied to Dairy Products

Numerous provisions of the laws, ordinances, and sanitary codes relating to dairy products in the several states and municipalities tend to restrict the sources of supply of these products. The pasteurization requirement which has been very generally adopted, tends to eliminate the producer-distributor and thereby to curtail the advantages formerly enjoyed by the most nearby sources of supply. Certain requirements in respect to cooling milk and cream make it necessary that the product be collected at country milk plants or receiving stations. The impracticability of operating such plants in communities where only a small quantity of milk is produced results in some farmers being excluded from a market which they might enjoy if direct shipment without cooling were permitted. Requirements in respect to milk houses and stables tend to shut out small producers as suppliers of market milk.

However, this paper is devoted primarily to laws, regulations, and practices which have a more direct bearing upon sources of supply. Illustrations of these more direct restrictions may be drawn from several states and numerous cities.

Since 1906, the New York City Department of Health has controlled its sources of both milk and cream by a system of permits and country inspection of milk plants and dairies. No attempt was made to restrict these sources within definite geographic boundaries until 1926. By this time, nearly all commercial dairies within a shipping distance of approximately 500 miles from New York were under city inspection. Any further extension of the sources of supply involved either an invasion of the adjacent milk sheds of other markets, such as Boston, Philadelphia, or Pittsburgh, or the development of new sources of cream supply in the surplus dairy sections of the midwestern states. Temporary permits already had been issued to certain shippers in these states and considerable quantities of cream were received from these sources during 1924 and 1925. These temporary permits were revoked soon after the induction of a new administration in the City of New York in January, 1926. Since that time no permits have been issued by that city to milk plants or dairies beyond the western borders of New York and Pennsylvania.

The continued increase in consumption of milk and cream in this market, without a corresponding increase in production, soon led to a shortage. In November and December of 1925 and 1926 the supply of milk and cream from approved sources was barely adequate to meet the demand. During 1927, 1928, and 1929 efforts were made principally by the Dairymen's League, to increase the supply within the milk shed so as to avoid seasonal shortages. These efforts included the following:

1. Cream frozen during the season of surplus production was used to supplement the fresh product in the fall.
2. Fluid milk plants were established in a number of new locations within the milk shed.
3. Part of the small remaining supply of milk at manufacturing plants was diverted for use in the city.
4. Some approved milk that had been going to other cities was diverted to New York.
5. The production of milk during the fall months was stimulated by educational efforts and by increases in price. However, no definite scheme of prices intended to equalize seasonal production was adopted.

The agricultural colleges and extension services of the states within the milk shed joined in the educational efforts to obtain an adequate supply of milk and cream without extending the milk shed. Increases in the number of dairy heifers beginning in 1927 indicated the probability of an ample milk supply after 1929 and

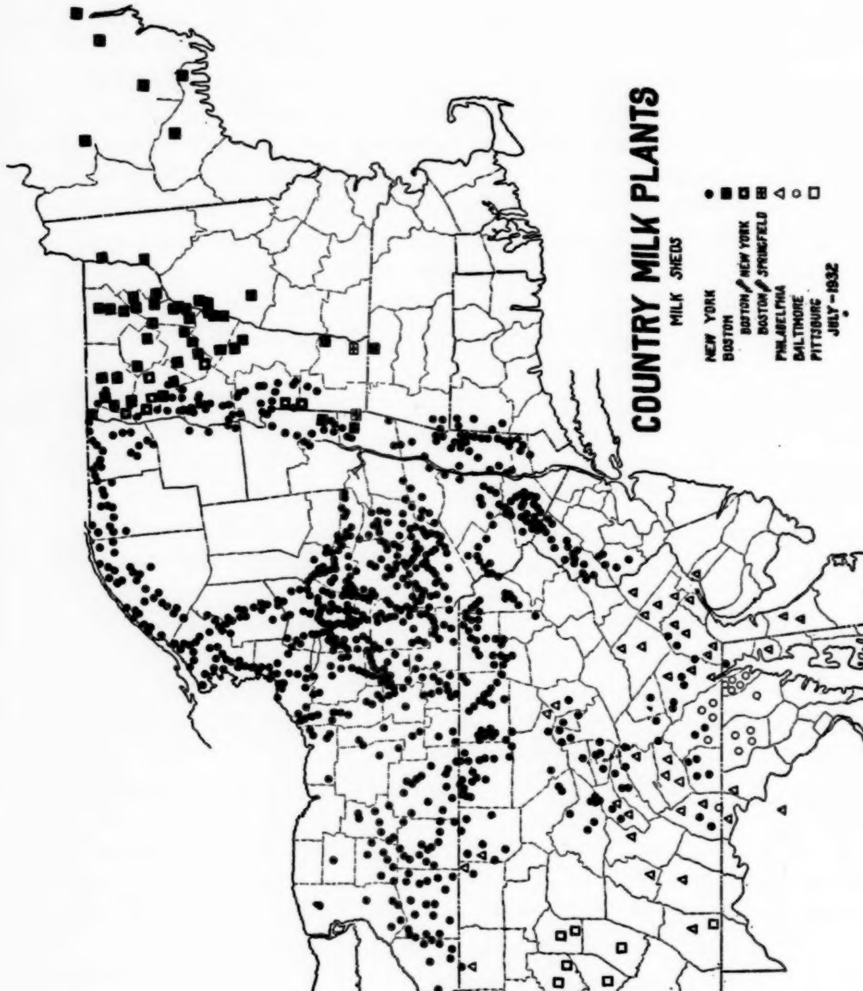

Fig. 1. Location of Country Milk Receiving Stations

the fact that the development of new sources of supply would be detrimental both to the producers in the old milk shed and to those producers and shippers elsewhere who would be required to make large investments in order to comply with the special requirements of the New York City Department of Health.

The results of an extensive survey of milk production within the milk shed, made by the Dairymen's League in 1926 and supplemented thereafter, and evidence as to the trends in number of dairy cows and heifers presented by the New York State College

TABLE 1.—SOURCES OF MILK RECEIPTS, 1931[a]

State of Origin	New York	Boston	Philadelphia
	Per Cent	Per Cent	Per Cent
Normal Milk Shed			
New York	75.6	8.0	0.1
New England States	5.2	92.0	—
Pennsylvania	16.2	—	71.7
New Jersey	2.5	—	7.3
Maryland	0.4	—	12.4
Virginia	—	—	0.5
Delaware	0.1	—	7.0
West Virginia	—	—	1.0
Canada	—[b]	—	—
Other Sources			
Ohio	—[b]	—	—[b]
Indiana	—[b]	—	—
Wisconsin	—	—	—[b]
All Sources	100.0	100.0	100.0

[a] Based on reports of the Bureau of Agricultural Economics, United States Department of Agriculture.
[b] Less than 0.1 per cent.

of Agriculture, probably were the principal factors contributing to the decision of the Commissioner of Health to withhold inspection from distant shippers. However, the milk shed was extended somewhat into central and southern Pennsylvania and western New England.

There was no shortage in the fall of 1929. In 1930 and subsequent years the number of cows increased so that an ample supply probably is assured for a number of years. The halt in the upward trend of consumption in 1930 and 1931 and a sharp decline in 1932 have quickly changed the situation from that of a threatened shortage to that of burdensome surplus.

In table 1 are shown the percentages of total milk receipts

TABLE 2.—SOURCES OF CREAM RECEIPTS, 1931[a]

State of Origin	New York	Boston	Philadelphia
	Per Cent	Per Cent	Per Cent
Normal Milk Shed			
New York	79.9	10.0	6.3
New England States	4.5	62.1	—
Pennsylvania	11.8	—	12.6
New Jersey	0.9	—	0.6
Maryland	0.1	—	7.5
Virginia	—	—	3.0
Delaware	0.1	—	1.8
West Virginia	—	—	2.1
Canada	0.1	—	—
Total	97.4	72.1	33.9
Other Sources			
Wisconsin	0.2	9.7	22.7
Minnesota	0.3	1.2	0.9
Illinois	0.1	0.2	0.6
Ohio	0.9	2.9	7.2
Indiana	0.7	2.2	29.0
Michigan	—	3.4	2.1
Missouri	0.1	3.4	2.4
Other States	0.3	4.9	1.2
Total	2.6	27.9	66.1
All Sources	100.0	100.0	100.0

[a] Based on reports of the Bureau of Agricultural Economics, United States Department of Agriculture.

TABLE 3.—WHOLESALE PRICES OF CREAM IN THE NEW YORK MARKET

Year	Cream Inspected for New York City		Uninspected Cream	Open Market Premium for Inspected Cream
	Contract Price	Open Market Price		
1927[a]	$26.19	$24.50	$20.82	$3.68
1928	25.77	24.40	21.69	2.71
1929	26.90	24.56	20.09	4.47
1930	23.95	19.45	15.92	3.53
1931	17.92	15.79	13.01	2.78
1932[b]	15.13	14.51	10.75	3.76
Average	$22.64	$20.54	$17.05	$3.49

[a] Average for May to December inclusive.
[b] Average for January to November inclusive.

at New York, Boston, and Philadelphia in 1931, which originated in each state. The location of country milk receiving stations for each of these markets is shown in figure 1. Although neither the Boston nor the Philadelphia market has been protected by restrictions such as those imposed by New York, these cities do not appear to have drawn supplies of whole milk from more remote sources. It seems doubtful whether in the absence of arbitrary limitations New York City would have drawn much milk from outside the present milk shed. In spite of the fact that a considerable part of the New York Metropolitan District is outside the jurisdiction of the New York City Department of Health, there is no month in the past six years when milk receipts from outside the normal milk shed have been more than 0.2 per cent of the total.

An entirely different situation exists in respect to cream. Boston and Philadelphia have obtained a large proportion of their cream supplies from the midwestern states, whereas the New York market has received a very small proportion of western cream (table 2). It should be noted here that all milk products used in ice cream to be sold in New York City are subject to the same requirements as milk.

In this instance at least, the practice of market exclusion appears to have brought a higher return to the producers within the milk shed. Cream produced under inspection for New York City has sold at premiums ranging as high as $8.50 per can over the price of western cream in the open market. The average difference in price during the past six years has been $3.49 per can (table 3). This is equivalent to $0.36 per 100 pounds of milk used in the production of cream. A large part of the inspected cream has been sold on contract at a still higher price. It is impossible to say how much of the premium for inspected cream is due to its higher quality, but a part of the difference certainly is due to the arbitrarily limited market for uninspected cream.

Western cream has been shipped to some of the upstate cities in New York State in large quantities chiefly as a source of fat for ice cream. A survey of upstate ice cream plants by Dr. M. C. Bond in 1926 showed that 18 per cent of the cream used was imported from midwestern states. Slightly more than half the milk fat used by these plants was in the form of cream.

The lack of proper supervision over supplies of cream brought into some of the upstate cities later came to the attention of Governor Roosevelt, who, in March, 1930, called a conference of state and municipal health officers, representatives of the De-

partment of Agriculture and Markets, farmers' organizations, and milk dealers to discuss the sale of milk and cream from uninspected sources.

The Governor's statement emphasized the economic aspects of the situation in addition to its public health aspects. He said: "Many . . . municipalities of the state . . . receive a certain amount, especially of cream, which comes from uninspected sources. In this lies a potential menace to health. . . . There is further the economic factor to be considered. In order that the cream and milk producers of our state and of neighboring regions should have a steady market for milk and cream, it is necessary that they should know in so far as possible as to whether they will be subjected to what is known as 'bootleg competition' from areas lying at great distances from the State of New York. This question of a steady market means that the dairy owners can keep their cows clean, can provide sterilization, and conform to modern sanitary practices. Obviously, they can not and ought not to be asked to compete with other areas which do not maintain the same standards.

"I hope, therefore, that we shall be able at this conference to establish a uniform practice in this state relating to the importation of uninspected milk or cream from far distant areas."[4]

The following resolution was adopted by the conference:

"No Milk or cream shall be brought into the State of New York except from sources of supply inspected and approved by the New York State Department of Health, and unless the quality of the milk and cream conforms in all respects to the standards laid down by the Sanitary Code." The Public Health Council then sought and obtained an appropriation from the legislature for a survey of conditions preparatory to drawing up the necessary rules. Effective March 1, 1932, regulations were established for "manufacturing" cream, which is admitted from uninspected sources under a system of special permits, but no cream for fluid use may be brought in from outside the milk shed. Soon thereafter, the State Department of Health was requested to establish such inspection and supervision of specified sources of cream outside the New York milk shed as would make the product acceptable for sale as fluid cream. It was intimated that the interested parties would be willing to meet all or a part of the cost of the inspection.

This matter was referred to the department's Advisory Com-

[4] *Dairymen's League News*, March 21, 1930, page 1.

mittee on Milk Sanitation, which reached the following conclusions:

"Cream should not be admitted for sale as 'fluid cream' for domestic use unless it is possible to maintain supervision of sources and methods equal to that maintained within the normal milk shed. Cream is collected at shipping plants from numerous and constantly changing sources. To maintain adequate supervision would require that several men be permanently stationed at such distant sources. This would be impracticable with the Department's present force, already engaged in important and necessary work. To have supervision maintained by men paid by the interested parties would be inadvisable under present conditions, even if it could be done legally. If such supervision were to be assumed in response to all requests the competition which would almost certainly result would tend to disrupt the local industry and discourage production. The maintenance of our local supply, easily available, and much more readily subject to supervision, is highly important from both an economic and a public health standpoint. It was agreed that it would be desirable in the future to establish more stringent requirements covering cream to be used for manufacturing purposes but that this is not feasible at present."[5]

An illustration of the policy followed by some of the upstate cities in New York may be drawn from the City of Rochester. The normal milk shed of this city is within a radius of 40 miles from the city. During the past two or three years the Rochester Health Bureau has been requested to extend inspection to a number of milk plants on the borders of the normal milk shed or at greater distances. One of these plants holds a New York City permit and is located in the same village with another plant which ships milk to Rochester. However, no additional plants have been approved for Rochester. The reason given for thus limiting the milk shed is that the supply already under inspection is adequate; that further extension of inspection would involve needless costs; and that any further increase in the supply of milk in that market would be likely to cause a breakdown in prices with resulting impairment of the quality and safety of the milk.

At the last session of the New Jersey legislature, a law was enacted, establishing a system of permits for all sources of supply of milk, cream, and milk products used in ice cream and setting up specific requirements for these products.

The following statement by the Secretary of Argriculture of the State of New Jersey is significant:

"The law is not only a great protection to consumers, but it has ended the discrimination that existed against New Jersey's own dairymen who were required to observe rather costly milk production practices which

[5] *Health News*, New York State Department of Health, March 21, 1932, page 48.

were not required of out-of-state producers. . . . I hope that the next step will be the limitation of our milk shed so that we draw our milk supplies from sources that can be readily and frequently inspected.

"There is no reason why New Jersey should be the unloading point for milk and cream produced all over the United States and there is no reason why we should go beyond a reasonable limit in the inspection of such milk supplies simply to provide distant producers with a market. In the development of an important industry, the supplying of fresh milk to consumers and the facilitating of inspections, a limited milk shed, adequate to meet the needs of New Jersey's people, but no greater, would be in the public interest."[6]

Among the first to adopt a policy of arbitrary restriction of the sources of milk supply, was the State of Connecticut. A

TABLE 4.—AVERAGE PERCENTAGES OF MILK USED IN EACH CLASSIFICATION UNDER CONNECTICUT MILK PRODUCERS' ASSOCIATION POOLING CONTRACTS

Year Ending March 31	Class I (Fluid Milk)	Class II (Cream)	Classes III and IV (Surplus)
	Per Cent	Per Cent	Per Cent
1923	74.35	18.54	7.11
1924	72.13	19.51	8.36
1925	73.04	19.99	6.97
1926	76.89	18.59	4.52
1927	77.09	17.27	5.64
1928	79.65	15.75	4.60
1929	81.18	16.39	2.43
1930	78.25	17.75	4.00
1931	73.59	19.52	6.89
1932	69.64	19.40	10.96

system of country milk inspection and permits for all dairies supplying milk for fluid use in that state was inaugurated in 1908. By 1926 the policy of limiting the inspection of dairies within rather definite geographical boundaries was well established. In the spring of 1932, the Connecticut Dairy and Food Commissioner issued an order, revoking the permits held by a group of producers located near the Connecticut border in southeastern New York. These producers had been under Connecticut inspection for a considerable time. So much protest was raised both in New York State and from business interests in Connecticut that the order was recinded but the out-of-state producers are now required to pay the costs for inspection.

[6] *American Creamery and Poultry Produce Review*, November 16, 1932, page 91.

The Connecticut restrictions have made possible a remarkably close adjustment of milk supply to demand in this group of markets, as indicated by the high percentage of milk sold for fluid use by the Connecticut Milk Producers' Association (table 4). In the past two or three years the percentage utilized in Class I has declined due to a slight increase in production and a marked decrease in consumption.

In this instance the practice of market exclusion appears to have brought the favored producers a considerably higher return. The average net price to members of the Connecticut Milk Producers' Association during the eleven years, 1922 to 1932 inclusive, was $.66 per 100 pounds higher than the average return to members of the New England Milk Producers' Association operating in adjacent territory (table 5).

TABLE 5.—AVERAGE NET PRICE PER 100 POUNDS 3.7% MILK F.O.B. CITY

	Connecticut Milk Producers Association	New England Milk Producers Association	New York or Dairymen's League and Sheffield Producers
1922	$3.39	$2.71	$2.89
1923	3.58	3.08	3.14
1924	3.51	2.76	2.82
1925	3.66	2.94	3.13
1926	3.75	2.96	3.15
1927	3.85	3.10	3.29
1928	3.93	3.20	3.30
1929	4.00	3.24	3.38
1930	3.69	2.93	3.01
1931	3.08	2.27	2.40
1932[a]	2.29	2.26	1.84
Average	$3.52	$2.86	$2.94

[a] Average for 9 months, January to September inclusive.

Although Boston may be classified among the cities which have given comparatively little attention to the inspection of dairies, this has not been an entirely open market. As previously indicated, practically all the milk received at this market has come from the normal milk shed, but since 1925 a large portion of the cream has come from mid-western states. In February, 1930, the Boston Board of Health revoked the permits under which west-

ern cream had been coming into the market, this action being taken at the request of the New England Milk Producers' Association. The following statement by a representative of the association indicated the basis for excluding the western cream from Boston:

"The New England Milk Producers' Association called the attention of the Boston Board of Health to the unusual condition (i.e. increased production) and urged that steps be taken to get some of this excess New England milk in as cream rather than allow it to continue to be made into butter. The Board of Health looked into the situation and within a few days revoked the 'temporary' permits which had been in effect five years. Beginning February 15 the requirement that no milk or cream should be sold except from sources which had been inspected by the Boston Board of Health was again in full force. It applied to cream as well as milk."[7]

This effort at market exclusion was only partially effective, due to the fact that several of the municipalities in metropolitan Boston failed to follow the city's lead, and continued to permit the sale of cream from uninspected sources. In December, 1930, Boston's restriction on the sale of cream from uninspected sources was removed as a result of the ruling that when any particular dealer had used up the supply available from his regular producers he could then bring in outside cream, and was not obliged to use other cream from inspected sources.

The whole question of milk and cream inspection was considered by a special commission of the State of Massachusetts during 1931. This commission recommended legislation to provide for state inspection of the sources of all milk and cream sold within the state. The law which was enacted, however, does not provide for the inspection of cream.

Several years ago the State of Massachusetts established regulations for Grade A milk, providing that all milk of this grade must be pasteurized and bottled within the state. The obvious intent of this legislation was to give an economic advantage to Massachusetts producers and the distributors who were in a position to obtain their milk within the state.

The State of Rhode Island recently adopted legislation regulating the supply of milk to be consumed within the state. This legislation provides that all dairy farms producing milk for sale within the State of Rhode Island must be registered by the Commissioner of Agriculture, and specific requirements are set up for these farms. The law requires that: "All milk produced on a reg-

[7] *Dairymen's League News*, February 28, 1930, page 13.

istered dairy farm shall be delivered to the consumer, registered distributor or dealer within this state directly from the farm where such milk was produced, in containers approved by the commissioner of agriculture, which containers shall while they contain such milk intended for sale or consumption within this state, be conspicuously labeled or marked with the name and address of the producer thereof; . . . provided, however, that compliance with the provisions of this subsection (h) may be waived by said commissioner of agriculture as to milk produced on any registered dairy farms when he is satisfied that a shortage of milk makes it necessary to do so and in making such waivers he may make such reasonable rules and regulations governing the handling of such milk as in his opinion may be necessary to insure its continued quality . . ."[8] Under the authority conferred by the latter part of this section the Commissioner of Agriculture has registered producers supplying milk to a country bottling plant in Vermont.

Another feature of the law is the requirement that: "No pasteurization of milk for sale within this state shall be carried on except within a licensed plant located within the state; provided, however, that pasteurization plants located in adjoining states but coming within the local milk shed of any market in this state shall be inspected and licensed as provided in this act. The words 'local milk shed' as used in this act are hereby defined as that local area within which milk is being produced and delivered daily by truck to a local market."[9] The constitutionality of this legislation is being tested in the courts.

In order to qualify technically as being within the local milk shed, the country bottling plant in Vermont must have its milk trucked the 130 miles to the market. A separate receiving room for the milk produced by dairies under Rhode Island inspection also has been required. This plant now has three receiving rooms with entirely separate equipment; one for Rhode Island; one for the City of Brookline, Massachusetts; and the general receiving room for dairies supplying milk to Boston and all other markets.

Although these regulations have not excluded outside milk from Rhode Island, they have made it necessary for outside shippers to incur increased costs, and have thereby placed them in a less favorable competitive position. A special reason for this legislation is the fact that the country bottling plant in question

[8] Dairy Laws of the State of Rhode Island, 1932, page 28.
[9] Dairy Laws of the State of Rhode Island 1932, page 32.

has been supplying a group of chain grocery stores, whose policy is to sell milk at a price considerably below that which prevails on the retail milk routes.

A few cities have definitely prescribed the limits within which milk pasteurizing plants must be located. The City Council of Des Moines recently drafted a proposed ordinance providing that raw milk dealers must obtain their supplies within a 15-mile radius, and that dealers in pasteurized milk may get their product from a 25-mile area.[10] The City of Utica, New York, recently amended its milk ordinance to provide that no new permits be issued to distributors not having a processing plant within the city limits.

A number of cities have required that their milk supply come from dairies or areas that are officially free from bovine tuberculosis. In some instances the adoption of this requirement has had important economic consequences. The City of Chicago, for example, excluded milk from untested herds while a large proportion of the cattle in the local milk shed in northern Illinois were still untested. The result was a violent shift in the sources of supply for the Chicago market. Extensive areas in Wisconsin were brought under inspection. As the nearby dairies were tested the milk shed was again gradually re-formed along economic lines.

The exclusion of milk from untested herds by the City of Philadelphia a few years ago, resulted in the milk from a number of country plants being diverted from Philadelphia to New York. This condition has had a serious effect upon the New York market, particularly because the dairymen delivering to these plants are unorganized.

The City of Cleveland probably is the only city which has attempted to obtain its butter and condensed or evaporated milk entirely from milk produced by tuberculin tested herds. Cleveland also has an emergency ordinance which provides that wherever inspection of dairies is required at points beyond 100 miles from the city, the cost for time and travel must be paid by the interested parties.

In several markets the sources of supply have been restricted by unwritten agreements between the milk producers' associations and distributors. Among these markets are Philadelphia, Baltimore, Washington and Chicago. In some such cases the local department of health has lent its support to the policy agreed upon by the organized producers and the distributors.

[10] *The Milk Dealer*, November, 1932.

Advantages and Disadvantages of Market Restrictions

The principle of free and unrestricted movement of commodities which is generally followed within the United States is based upon the theory that this practice results in the greatest net per capita income for the country as a whole. Deviations from this practice, such as those which have been cited in this paper, in general are based upon the evident necessity for protection of public health or the control of plant and animal diseases and pests; also upon the theory that such trade restrictions result in economic benefits to certain groups which outweigh whatever disadvantages they may have for other groups. It is apparent from the illustrations which have been cited that the various forms of market restrictions have an important bearing upon the economics of production and distribution. In so far as the economic motive has manifested itself, the restrictions usually have been inspired by representatives of producer organizations, acting upon the theory that supply and demand determine price. These representatives have held the modern concept of supply and demand not as immutable forces, but as being subject to human influence and control. In some instances market restrictions have been suggested or promoted by dealers and distributors.

Obviously it is impossible to make a satisfactory statistical measurement of the benefits and disadvantages of these market restrictions. However, a listing of the more apparent gains and losses resulting from any instance of trade restriction should be of material aid in making an approximate appraisal of its net effect. The following is an attempt at such a listing in respect to restrictions which are commonly made as to sources of supply of milk and cream.

Advantages to Producers

1. Higher price resulting from more restricted supply.

This effect is more obvious in the case of cream, which can be drawn economically from a much wider area than milk. Under most conditions a reasonable restriction of sources improves the classification of the milk supply as to use, as in Connecticut.

2. Greater feasibility and effectiveness of measures designed to bring about a closer adjustent of supply to demand.

The more closely supply can be adjusted to demand, the lower the cost of carrying necessary surplus. Such adjustments are very difficult of accomplishment in markets where additional sources of supply may be drawn upon at any time. On the other hand, due to the wide fluctuations in cream sales, a strict limita-

tion of the sources of cream may prevent as close adjustment to market needs as can be made where cream is admitted from outside during periods of shortage.

3. Greater probability that sanitary requirements will be uniformly enforced as to all producers.

4. Greater stability of price and market outlets.

Reasonable restriction of sources helps to protect the additional investments which are required on the farms and in milk plants and laboratories in order to meet the special requirements for market milk and cream.

5. Greater bargaining power on the part of milk producers' organizations.

If wisely used, this power is a further aid in stabilizing the market, protecting necessary investments from the hazards of price wars and assuring an income to producers adequate to permit the maintenance of satisfactory standards of quality.

Disadvantages to Producers

1. Difficulties resulting from possible unwise use of bargaining power by the producers' organizations.

2. Loss to more distant producers due to a lower return on the alternative outlets for their product.

This may not be a disadvantage if the economic situation in an open market permitted only occasional or temporary access on the part of the distant producers in return for the increased costs which they would be required to incur in meeting the special requirements of a city market.

Advantages to Consumers

1. Greater assurance as to the quality and safety of the milk, cream or other dairy products due to more effective inspection and to the longer experience and education of nearby producers in respect to quality control and improvement.

2. Lower cost of inspection, which for the most part is borne by consumers. Arrangements whereby the costs of inspection are borne by dealers are subject to abuse.

3. Greater stimulus to quality improvement resulting from more stable and somewhat high returns to producers, and more stable profit margin for distributors.

4. Less danger of temporary shortages due to traffic delays.

In some instances, however, as in the case of severe snow storms, delivery of milk and cream by rail from a distance has

proven to be more dependable than the local movement by truck.

5. Greater assurance that the entire supply of milk and cream will reach the consumer fresh.

However, as previously indicated, in some instances frozen cream out of storage has been used in place of fresh cream shipped from a distance.

6. More restraint upon large distributors and holding companies.

The possibility of shifting milk supplies at will from one market area to another would give such distributors a competitive advantage which might lead to unfair competition and a speeding up of the trend toward monopoly in this field.

7. Factors tending to reduce transportation and marketing costs, as follows:

(a) Lower cost of transportation, due to shorter haul, also a larger production of carlot and tank car shipments.
(b) Lower marketing costs due to larger volume handled per plant in nearby territory when other sources of supply are excluded.
(c) Somewhat lower cost of fluid milk resulting from the larger return on that portion of the milk used as cream. If milk is considered as a necessity, cream as a luxury, this is a real advantage.
(d) Tendency to lower cost of milk used in fluid form, resulting from more effective adjustment of supply to demand and lower cost of the necessary surplus.

8. Trade advantages accruing to merchants and other city residents through more prosperous condition of producers in the local milk shed.

Disadvantages to Consumers

1. The possibility of being forced to pay higher prices for milk, and more particularly cream, due to more restricted supply and greater bargaining power of producers, not fully offset by economies noted above.

2. The danger of confronting a shortage without access to additional sources of supply which have been at least partially prepared to meet the requirements for market milk or cream.

Advantages to Distributors

1. Greater probability of a uniform buying price for all distributors.

This condition makes it more likely that the most efficient distributors and the most efficient methods of distribution will prevail.

2. Greater probability that sanitary requirements will be uniformly enforced as to all distributors and plants.

3. Greater volume in nearby plants when other sources are excluded, with lower handling and processing costs.

Disadvantages to Distributors

1. Inability to take advantage of low priced milk which may be available from time to time outside the normal milk shed.

2. The possibility of reduced profit margins due to more effective bargaining by organized producers.

The writer's conclusion is that the advantages of a reasonable restriction of the sources of market milk and cream outweigh the disadvantages. It seems logical to make the same sanitary requirements for cream as for milk, although in most markets it is impracticable to limit the sources of cream as closely as the sources of milk. Under such circumstances inspection should be extended to a limited number of more distant sources. These auxiliary sources of cream might well be controlled by the milk producers' organization or by the producers and distributors jointly, with the approval and support of the city or state department of health. Such an arrangement would retain practically all of the advantages of complete restriction of sources within a prescribed area, and would obviate the most serious difficulties.

As a general conclusion, it is clear that the acute situation in agriculture and business is giving rise to numerous attempts at local stabilization by means of market or trade restrictions, some of which are unreasonable and uneconomic. However, it does not appear that many of the departures which have actually been made from the principle of free trade in agricultural products within the United States are unreasonable, or that serious economic losses are caused thereby. On the whole, the economic and other advantages of the acts of partial or complete market exclusion which are known to the writer seem to outweigh their disadvantages, even when considered from a national rather than from a local viewpoint.

Discussion by F. B. Garver

University of Minnesota

The various methods of market restriction in respect to whole milk and cream which have been so interestingly described by Professor Spencer while new in their application to these commodities are similar in certain

ways to two other types of market restriction which are anything but new. These practices resemble a protective tariff on imports in that they seek to limit the sale of products in a given market to the producers within a political area that includes that market. One of the advantages of restriction named by Professor Spencer—that of lower costs of assembly and of pasteurizing in larger plants, which are alleged to result from greater concentration of production near the market—is much the same as the infant industry argument for tariff protection. But it should be noted that like the infant industry the pasteurizing plant should be able to meet competition once it has acquired volume. If it cannot, then restriction must be looked upon as we commonly look upon the permanently protective tariff—a tax levied on the consumer for the benefit of the producer.

Market restriction for milk is similar in several important respects to the monopolies or partial monopolies established for the sale of public utility services. In the first place public utility monopolies and market restriction of the sale of milk both rest on an actual or presumed benefit to the public arising from the restriction. The restriction on the sale of milk is evidently based on the need for protection of the public health while public utility monopolies are based on the greater public convenience and alleged lower costs arising from the monopolization. In the second place, the two types of restriction are advocated by the producers not as a method of benefit to the public but as a means to prevent competition and to secure for themselves satisfactory prices and profits. Finally, both the milk producers and the utilities make use of a device familiar to all restrictionists, class price. Certain utility concerns charge different prices to different classes of consumers, setting their prices, in so far as they are permitted to do so, at the points which will yield the maximum profit. Domestic consumers of electric current may pay on the average five or six cents a kilowatt hour while power consumers may pay two cents or less. Milk producers sell all the whole milk the market will take at the estabished prices and dispose of the remainder of their production as butter. These class prices do not result in either case solely from the rapacity of the concerns employing them. The utilities argue that if the domestic consumers make great demands on them at certain hours of the day, thus requiring the installation of a given generating capacity, and make only slight demands during other hours of the day, the cost of the installation necessary to meet the maximum demand ought to be borne chiefly by such consumers. Power users who take the off-peak current are entitled to lower rates since their demands occasion very little additional equipment. The milk producers likewise argue that since a surplus must be produced at certain seasons if the demand is to be supplied at other seasons, it is entirely allowable for them to sell milk for butter at a lower price than they expect for the whole milk. In both cases the argument is logical and correct if applied to cases where the assumption that the capacity is required by the maximum demand is not violated. But when capacity exceeds the demands of the consumers who are charged a high price and new capacity must be installed to meet the peak demands of those who pay a low price then two alternative conclusions appear to be unescapable: either the consumers of the so-called surplus are being served at less than cost or the consumers at higher prices are being over-

charged. Specifically, if dairy farmers produce a year-round surplus either that part of the surplus which is dumped on the butter market during the period of maximum demand by the consumers of whole milk is sold at a loss or the consumers of whole milk are being over-charged. This statement is more certainly true for milk producers than for utilities because the former are generally compelled to produce at increasing cost while the latter often operate at decreasing cost.

Since the restriction of milk supply bears certain resemblances to the public utility monopolies it is worth while to consider the question whether producers are likely to be as successful in maintaining a non-competitive position as have been the public utilities. The first point to notice is that probably only the telephone and water supply among the utilities enjoy a high degree of monopoly power. Other utilities are subject to varying amounts of substitutionary competition. Gas competes with electricity for cooking and water heating and the steam- or gas-engine that may be installed by the user of power is a more important competitor. The seller of manufactured gas meets the competition of coal, electricity and kerosene; the bus and the private automobile compete with the street railway; many types of land and water vehicles compete with the railway. A profitable monopoly has as a matter of historical record usually encountered some type of substitutionary competition. It does so because the profits it makes are a standing inducement to some one to devise a substitute.

In European countries where inferior service and high rates for electric current have prevailed consumption has lagged far behind the average attained in the Scandinavian countries, Switzerland, the United States, and Canada. The consumer usually finds that very few specific commodities are so essential to health and comfort that they cannot be dispensed with if the price rises above a certain level. The demand for whole milk and cream may be relatively inelastic at any given time yet this demand may change to one of the same elasticity but of smaller volume. Any group that seeks to raise the price of milk and cream by restrictive measures might well consider whether consumers may not come in the future to prefer other desserts to ice cream and other beverages, soft or hard, to those composed wholly or partially of milk.

Another factor that should be carefully considered is the power of those attempting to practice market restriction to prevent intrusion into their market by outsiders. A public utility company usually receives from the legislature an exclusive grant of the right to sell a commodity or service within a given geographical market. It is a unified monopoly. There is no evidence in Professor Spencer's paper that anyone has proposed to grant exclusive control of the supply of milk and cream to one firm, and probably such a grant is unthinkable. The restriction, therefore, pertains to separate sellers within a given geographical area. These sellers will not only encounter the competition of each other but may induce other new producers to enter the field. The record of the experience of the cartels and pools, which are similar to the milk producers' association, both in America and abroad, is that the maintenance of quotas and the restriction of total capacity are extremely difficult problems to solve. Usually, after a period of time, the organization has either collapsed or has found itself burdened with large amounts of surplus capacity unless

the restriction has rested on a more definite legal basis than that proposed by those who advocate restriction in the milk market. However, if capacity can be properly restricted and if the quotas of different producers can be satisfactorily adjusted, there seems to be no reason why a partial monopoly might not be maintained in the milk market. Moreover, it is entirely possible for any monopolist to sell part of his product in the restricted market and to dump the remainder in the competitive market and retain not only the competitive profit derived from the latter market but also the monopoly profit derived from the former. It does not appear likely that the milk producers will ever dump so much product on the butter market as to depress prices seriously.

It may well be doubted whether the consumers are likely to derive any advantage from restriction other than protection against unhealthful and adulterated products. Gains from the expected greater efficiency of producers who have a partial monopoly are likely to prove illusory unless the phenomenon of decreasing cost arising from internal economies in the individual plant are present. But such economies are not claimed for dairies and they can scarcely be important in the processing plants. Hence, the consumer should look forward to higher prices if restriction should become firmly established. Whether the consumer will retaliate cannot be predicted. Moreover, the difficulties, both legal and administrative, which have been encountered in the regulation of utility rates do not lend much encouragement to the belief that the interest of the consumer could be adequately protected should the producers of milk succeed in establishing monopolies.

Discussion by Asher Hobson

University of Wisconsin

Market exclusion is an elusive term. Perhaps it defies definition. Without attempting an all inclusive definition, I am thinking of it in this discussion as those legal measures, trade practices, and consumers' customs and attitudes which restrict the free play of competitive economic forces. One may object to this statement on the ground that it includes the realm and all that is in it; that the free play of economic forces is a concept rather than a condition.

A few illustrations may clarify my position.

Professor Spencer has given us an excellent paper on one type of market exclusion; namely, legal restrictions based upon legislation designed to protect health by preventing the spread of disease and injurious insects. The milk laws and ordinances, the California citrus legislation and the weevil quarantine mentioned, are typical examples of these. While their effects are of vast economic significance and in many instances they are undoubtedly designed to serve economic purposes, their bases in law are, I am inclined to believe, sanitary considerations. Such sanitary regulations are more widely applied to the marketing of fluid milk than to any other commodity in this country. I shall not dwell further upon measures of this sort other than to observe that producers' organizations, not infrequently under this protection have held their prices unduly out of line with the prices of milk going into manufactured products, and are

finding it increasingly difficult to maintain their favored position. Bootleg milk and cream is a common phrase in Wisconsin parlance.

Some city councils, in Wisconsin, at least, are seriously considering the advisability of modifying their ordinance restrictions in order to admit readily available supplies into consumer channels at lower costs. This tendency illustrates the fact that preferences often create maladjustments that destroy the effects of preference.

There is another type of legislation that excludes from the market through the power to tax and to license. In Wisconsin, manufacturers of oleomargarine must pay $1,000.00 annually for a license permitting them to sell their product in that state. Wholesalers pay $500.00 and retailers $25.00. Hotels and restaurants serving the product must pay $25.00 and boarding houses $5.00. Furthermore agencies are required to file with the state a detailed record of their transactions connected with the handling of that commodity. Such a requirement tends to restrict its sale. Without question, the law is designed to make more difficult the sale, and more costly the consumption of oleomargarine with a view to creating a preference for butter.

The taxing power is used not only to exclude products from an area but to exclude certain types of marketing agencies as well. Since these agencies specialize in handling certain classes of products, the exclusion is in some cases relayed to the product. The chain-store tax is a point in question. The peddlers' tax is another. In Wisconsin, the state requires a peddler to secure a license amounting annually to $20.00 for a foot peddler, $45.00 for a peddler with one horse and $75.00 for one employing a team or auto. The farmer selling products grown on his own farm is exempt from these fees. While I do not maintain that these types of restrictions fulfill all the requirements of the market exclusion concept it is certain that their effects are in part those of excluding certain marketing agencies and certain products from certain markets.

There seems to be a growing tendency for states to give preference to "home industries" in supplying materials for public construction purposes. County, city, and town authorities require in many instances, that preference be given to local labor in carrying out their public works programs. These practices are based on the same philosophy which causes individuals and organizations to advocate that the consumers of a state give preference to state products. This situation is an illustration of market exclusion through consumer attitudes and preferences. The "Buy British" campaign of some years standing is the most outstanding attempt to exclude goods of foreign origin to the advantage of similar goods produced domestically. If the states should carry to their logical conclusion their attempts to restrict or hinder within their boundaries the purchases of articles and commodities of other states, the inevitable results would be that Wisconsin must eat all her cheese, Pennsylvania burn all her coal, and the inhabitants of Michigan be the sole purchasers of Detroit's motor cars. One need not comment upon such an absurdity.

The efforts being made in this country to create a preference among consumers for domestically produced goods is indicated by the items carried in a daily paper which fell into my hands on the train enroute to these meetings. The front page contained in bold faced type a communication from the publisher instructing the editor to "campaign vigorously" for certain principles. The first was:

"1. Buy American and spend American. See America first. Keep American money in America and provide employment for American citizens."

A half page large typed editorial of the same edition was entitled, "Buy American is Duty of Each of Us in This Hour." A news item on another page announced the creation of a national organization dedicated to the inauguration of a "Buy American" campaign.

Economically speaking one may well doubt the value of these efforts. They overlook entirely the cardinal principle that if we do not buy abroad, we cannot expect to sell abroad. By implication, at least, the "buy at home" philosophy brands international trade as detrimental.

If we are to encompass the field of domestic market exclusion, I am wondering if we should not give consideration to such economic forces as maladjustment in freight rates which give preferences of certain markets to certain producing areas to the disadvantage of other producing areas much nearer to that market.

In considering this question, can we overlook the influences of the farm strike or certain very effective activities of the racketeer? Can we ignore the market exclusion effects of monopolies—public and private? What about the public utility which in many cases exercises complete monopoly control of the market?

I raise these questions merely to indicate some of the considerations involved in an attempt to analyze and classify the subject matter of the field under discussion.

A reference might well be made in this discussion to the market exclusion measures now so prevalent in the conduct of international trade. It is in this field that trade barriers are rich in variety, extensive in number and wide in application. Tariff rates are frequently above embargo levels. Our own tariffs are no exception. But the operation of the tariff and their adjustments are too slow and clumsy. So governments have devised other methods of imposing speedily effective trade barriers. This has been done even though tariff rates changes in many countries do not require parliamentary action but are subject to ministerial decree and hence are changed without the usual legislative delays.

A recent devise rather widely adopted in Europe is the compulsory use of domestic products. Add to the tariff and the compulsory-use measures, such devises as the import quota, import licensing systems and trade preference policies, and one has a variety of effective international trade barriers such as are seldom, if ever, encountered in domestic trade.

Omitting those measures based upon health considerations which fall outside the realm of economic logic, what are to be our conclusions regarding the advantages and disadvantages of market exclusion policies. The answers, in all probability, will be many, varying with the circumstances surrounding public utility monopolies to those governing a tax imposed on foot peddlers. On the whole, however, it can be said that these trade barriers restrict the advantages accruing from a division of labor, not only as it pertains to the specialization of individuals and organizations, but more particularly those benefits resulting from natural advantages inherent in location and areas. My own thought is that we should strive to create an environment in which we could profit through greater division of labor and utilize to the fullest such benefits as may come from lower costs due to superior advantages of location.

NOTES

The Notes section is now in charge of W. E. Grimes. Manuscripts intended for this section should be mailed to him at Kansas State College, Manhattan, Kansas.

When this section of the JOURNAL was begun in April 1929, the following item was published to suggest the type of material for which it was designed:

1. Short bits of theoretical analysis, such as that of the intensive and extensive margin in this issue. It is hoped that most of them will be newer and fresher than this.
2. Reports upon small pieces of research, such as that of Mr. Waugh in this issue.
3. Important side-products of research projects that are out of unity in the regular reports.
4. Preliminary statements of important research results.
5. Reports of results with a particular research method or device.
6. Suggestions of new methods of attack upon problems.
7. Criticism briefly stated of points in articles published in this or other journals, or in new books or important bulletins that are published.

The Notes serve an important purpose and those having material available for such use are urged to submit it.

THE ECONOMIC AND HISTORIC BACKGROUND OF FARM TENANCY IN DELAWARE[1]

Delaware is one of the old established sections of the East. A study of land tenure in Delaware since the early days of land settlement reveals some of the most interesting phases of American history.

It is probable that land proprietorship in the north-central portion of Delaware is as nearly comparable with the English system as in any section of the United States. Land proprietorship in this section has become concentrated among relatively few. The ownership of from four to six farms by one landlord is not uncommon. The ownership of twelve farms by one landlord is on record. Because most of the landed proprietors own more land than they can till economically under one unit, and because the returns from the land have been sufficient to provide them a satisfactory livelihood, they have rented the farms to tenants and have become landlords. The greater portion of the farms, therefore, have come under tenant operation. The proportions of tenant-operated farms range from approximately 60 to 85 per cent in the different areas of this section.

Inheritance and sentiment have become important factors influencing farm ownership. Farms have been passed on to landlords rather than to operators. This condition has perpetuated the landlord class.

The average size of the farms is about 200 acres. However, farms ranging from 350 to 400 acres in size are not uncommon. Wheat is the major cash crop.

It is necessary to trace certain aspects of Delaware history back to the last of the eighteenth century, into the slave period, to appreciate thoroughly the economic and historic background of farm tenancy in Delaware. In 1790, according to the United States Census Report, Delaware

[1] Published with the consent of the Director of the Delaware Agricultural Experiment Station.

had 8,827 slaves. However, following that date the number of slaves decreased rapidly, until in 1860 there were only 1,798 slaves in the state. The great majority of Delaware slaves were free prior to the passage of the Thirteenth Amendment to the United States Constitution. This was due, for the most part, to three major forces. First, the emancipation movement begun by the Quakers shortly after the Revolutionary War made its effect felt. Second, because of Delaware's diversified type of farming, slavery was not profitable. Slave labor was more satisfactory with a one crop type of farming. Third, large numbers of slaves were transported from Delaware to the southern states where they were sold at lucrative prices.[2]

Even though it has been a century since slavery was a factor in the Delaware farm labor situation, it has had a more recent bearing in that it probably has had an influence on the supply of cheap farm labor since that time. At the present time farm labor in Delaware is predominantly colored. The farmers are predominantly white. Until about 1900, the labor situation was quite satisfactory to the Delaware farmers. Labor was so plentiful and cheap that little thought was given to economy in its use. There developed a class of farm owners who not only did little labor themselves, but required that the hired labor render them many personal services.

Coupled with the labor situation, farming was relatively profitable. The peach industry in Delaware had its beginning about 1835 and was an important and, on the whole, a lucrative enterprise until about 1890 to 1900. From 50 to 100 acres of peach trees per farm were not uncommon. Various reasons have been assigned for the decline of this industry, but authorities seem to agree that it probably was due to the inability of the farmers to solve the problems of waning soil fertility and the increase of orchard pests.

As a result of these satisfactory conditions for the farmers, there developed a class of farmers in some respects not unlike the southern aristocracy. They lived on their farms and personally directed their farm businesses. Some of them owned additional farms which they either "carried on"[3] or rented to tenants.

About 1900, farm conditions took a different turn. Farm profits became unsatisfactory. This was, in part, due to the decline of the peach industry, and in part, to the low prices of farm products. Moreover, the labor situation was becoming more and more unsatisfactory. Farm labor was becoming more scarce, and the laborer was less responsive to the farmer's wishes. This was distinctly annoying to many of the farm owners who had farmed during a period of comparative ease, despite the low general price level. As they had accumulated enough wealth so that they could live from the rents of their farms, many of them reasoned that it was unnecessary for them to contend with these unsatisfactory farm conditions, consequently they rented their farms to tenants and moved to town. This was a satisfactory arrangement for the farm owner because there were enough good tenants to meet the demand.

Prior to 1920, conditions for the landlord continued to improve. There

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[2] Report of the Delaware Society for the Promotion of the Abolition of Slavery, Manuscript Pennsylvania Historical Society, p. 303, May 23, 1801.

[3] Landlord paid all expenses including labor and received all returns.

was an abundance of good tenants. Prices had been rising for two and a half decades and the landlord was enjoying satisfactory farm returns. Many of the landlords were content to depend, for the most part, on the incomes of their farms for a livelihood.

Inheritance had become the most important factor influencing farm ownership. Many of the farms had come into the possession of the third and fourth generations of the family. Some of the farms had been in possession of the same family since the original land grant. Much family sentiment was attached to the ownership of these farms. In fact, sentiment was the motivating force in retaining ownership of many of them. If a price was placed on a farm, sentiment was capitalized along with the rent, making a price much above the rental value and beyond the ability of the tenant to pay. As the landlords said, "We have to price sentiment too."

However, since the beginning of the present agricultural depression in 1920 the landlord's attitude toward farm ownership has changed. There has become a distinct scarcity of good tenants. This is due, in part, to the tenant's opportunity for alternative employment during the past several years because of Delaware's close proximity to eastern industrial centers. The keeping of a good tenant has become an acute problem for the landlord. Sentiment in land ownership is now valued less highly. This is due, largely, to the unsatisfactory returns from the land.

The prices of farm products have been declining and rents are low. Because many landlords have little hope of appreciable recovery in rents in the near future, they are pricing land at rental values. This has made land values attractive to the tenant.

On the other hand, some tenants reason that if they owned the farms they could make them produce better returns than they do under tenant operation. Furthermore, farm ownership, they feel, makes them more independent physically, gives them homes of their own, and adds to their social prestige. Some tenants, therefore, will reason that if necessary they could afford to pay a price which is a little above the rental value of the farms as now operated. This is what the better tenants are doing.

While conducting the field work in connection with this study the writer was impressed with the fact that during the years 1928, 1929, and 1930, several tenants had bought farms and others had the matter under consideration. The tendency was, and will be, less pronounced in the northern portion of this section, largely because of the greater size and value of the farms, but even there the tendency is unquestionably in evidence.

Farm land, therefore, has become a less satisfactory investment for the landlord. This attitude on the part of the landlord has been hastened by the fact that many of them have deferred making repairs to buildings in the hope that either rents would improve or the expense of building repairs would be reduced. These repairs now can be deferred no longer, and many landlords are forced to make extensive building repairs and even extension of buildings. Dairying has become a more important enterprise and the tenant is requiring more and better shelter for his livestock. Many landlord families who are dependent on their farms for their sole source of income have been forced to reduce their standard of living.

In view of this condition, what probably will be the status of farm tenancy in Delaware during the next two to three decades? It has been shown that since the War the Delaware landlord's position has been re-

versed and farm land has become a less satisfactory investment for the landlord. Rents have been declining and as the landlord has little hope of improvement in land values in the near future, he is capitalizing rents at the full farm mortgage interest rate. This has lowered land values to the point where they have become attractive to the tenant.

Sentiment in land ownership and inheritance have been the two most important factors influencing land proprietorship in Delaware. Less value is now attached to sentiment in farm ownership. Many of the next generation who will inherit these farms have taken up vocations in the city. As they have incomes independent of the land and because they are further removed from the land, the farms have less appeal to them. It is likely, therefore, that as these farms are passed on to another generation sentiment will become still less important. Inheritance probably will play a smaller part in farm ownership in Delaware during the next few decades.

The scarcity of good tenants probably will continue to be a problem. It is true that the prices of farm products may in time again come into a parity with industrial prices, and attract some tenants back to the farm. It is probable that there will be relatively short periods of slack employment in industry due to the workings of the business cycle. This would, temporarily, reduce the tenant's opportunity for alternative employment. It is possible that the history of prices following the Civil War may be repeated and a long period of gradually declining commodity prices may be experienced. This would mean a somewhat lower level of business activity, and for a considerable period it would reduce somewhat the tenant's opportunity for alternative employment as compared with the past two decades.

However, upon due consideration of these conditions, it is likely that for many years there will be a dearth of good tenants in Delaware (possibly less acute than for the past few years), and that the tenant problem will be a barrier to the ownership of farms by those pursuing a livelihood in the city, or by others who buy farms for investment purposes.

It is true, however, that a declining price level is more depressing on agriculture than on industry. In the event of a relatively long period of declining commodity prices, the influence on farm tenancy in relieving somewhat the acute scarcity of good tenants probably may be offset, at least in part, by some landlords being induced to sell their land to tenants or to others and reinvest their capital in industry.

It is probable, therefore, that during the next few decades many tenant farms will pass into the possession of those who buy for the purpose of becoming operators. It is possible that the decrease in tenancy will be at a somewhat lesser rate than it has been during the past two decades. It is likely, however, that the number of tenant farms in Delaware will decrease until there is a normal amount of tenancy. That is, that amount which enables young farmers to rent farms until their experience and capital permit them to buy farms.

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AN ANALYSIS OF REAL ESTATE PROBLEMS OF THE MINNESOTA DEPARTMENT OF RURAL CREDITS

In Minnesota the state itself is today the largest single owner of rented farms. These farms came into its possession through the activities of the Minnesota Department of Rural Credit which was created by the Legislature in 1923 in response to an insistent demand that long time loans with amortization provisions and at low rates of interest, be provided for farmers by the state. Launched in August, 1923, with $40,000,000 of loanable funds provided through sale of bonds of the State of Minnesota, this department soon became the leading farm loan organization in operation in the state. In 1925, its field of operations was still further expanded by the increase of bond sale authorization to $70,000,000.

One farm out of every fifteen in the state is today security for a loan made by this department or is the property of the Rural Credit branch of the state government because of failure of borrowers to keep up their payments. By the end of 1930 a total of 12,257 loans aggregating $57,751,000 had been made. On the same date the state was in complete possession of 1,785 farms which it had acquired through foreclosure of loans. Additional loans in process of foreclosure brought the total to 2,149, representing loans of $15,000,000.

The study reported here was begun in 1931 as a research project for a Master's thesis at the University of Minnesota. Its purpose was the ascertaining of facts regarding real estate owned by the Department of Rural Credit. No attempt was made to appraise the results of the operation of the department as a factor in the agricultural credit situation of the state.

Records of the department including original appraisal records of nearly 1,000 farms were the chief source of information. These were supplemented by reports from the Office of Public Examiner. Records of all farms acquired by the department through foreclosure were studied for all except seventeen counties. Because of the very large number of foreclosed farms in these counties, only from one-third to one-half of their cases were given detailed study. For purposes of study, a grouping of counties into five districts was used.

Farms in the real estate division of the Rural Credits Department are quite largely concentrated in the northern half of the state, with concentration greatest in the northwestern counties. Not only were more loans made in this area but the percentage of foreclosed loans also is much higher.

The real estate problem of the department is thus seen to be largely one of the newer and less settled sections of the state. The Northwestern district made up of twelve counties contains fully two-thirds of the total number of farms foreclosed. Demand for refinancing of existing indebtedness was high in 1923 and 1924 when most of the loans were made. Local banks supplied most of the customers of the Rural Credits Department. Appraisals on farms were very liberal, averaging $40 to $70 and even up to $90 per acre when loans were made. Loans could be secured up to 60 per cent of the appraised value of the land plus 33 1/3 per cent of the value of permanent improvements and in most cases approached this maximum. For the 12 counties, loans averaged $28 per acre, with some counties as

high as $43. Most of the farms covered by these loans were located in the poorer sections of the counties, being situated on the less productive soils and frequently far from roads or markets.

A considerable number of loans were foreclosed upon within three years after they were made as no payments were made upon them by borrowers. With the additional fall in farm prices in 1929 and 1930, the number of foreclosures increased rapidly as many farmers no longer were able to meet their obligations. Out of a total of 7,316 loans made during the first two years of the operation of the department, 1,997, or 27 per cent, had been foreclosed upon by the end of 1930.

What happened to loans made in northwestern Minnesota happened to a less marked extent in the balance of the state. In the northeastern quarter, most of which is made up of cut-over land, loans were fewer in number and smaller per farm than farther west. Nevertheless, appraisals averaged from $30 to $75 for these counties and loans averaged $21 per acre. Considerably more of the proceeds of these loans went for land clearing and buildings than in the balance of the state. Foreclosed farms were to a large extent in undeveloped areas and had small cleared acreages. Many also were on the less productive soils.

TABLE SHOWING NUMBER OF LOANS MADE AND LOANS FORECLOSED BY DISTRICTS (DECEMBER 31, 1930)

District	Loans Made	Loans Foreclosed	Percentage Foreclosed
Northwestern	4509	1335	29.61
Northeastern	2634	379	14.38
Central	2743	254	9.81
Southwestern	1324	120	8.99
Southeastern	986	61	6.27
State	12234	2149	17.56

In the Central district average appraisals by counties ranged from $55 to $114 per acre and loans showed a $37 per acre average for the district. Poorer soils also provided most of the foreclosed farms in this district.

The entire southern part of the state was characterized by high appraisals and loans. Appraisals in these counties ranged from $100 to $150 per acre and loans from $50 to $80 with some much higher. Fully 85 per cent of all borrowings were for the purpose of paying off existing indebtedness. Practically no loans were obtained for the purpose of purchasing more land.

State Investment in Foreclosed Farms is High

Though the amount of the original loans made on farms later foreclosed was very high, it by no means represented the total investment of the state in these farms when they were taken over through foreclosure. According to the report of the Office of Public Examiner, the total state in-

vestment in farms for which foreclosure proceedings had been completed by the close of 1930 was as follows:

Original loans	$10,004,400
Cost to state when acquired through foreclosure	11,625,246
State investment as of Dec. 30, 1930	12,636,231

It will thus be seen that at the end of 1930, the state had invested in farms which had been acquired through foreclosure, 126 per cent of the amount originally loaned on these same farms. All districts showed practically the same proportion of increase.

As soon as possible after farms had been transferred to the real estate division, they were rented. The basis of rental depended upon the form in common usage in the community. For the most part, share rental contracts were employed. A number of farms were unrented each year because they were acquired too late in the season or because of undesirable location or low productivity. In 1928 the cash return per farm rented was $118. In 1930 the corresponding figure was $109.

Permanent improvements made on farms added nearly $800,000 more to the state investment in farms. Pursuing the policy of making extensive repairs on buildings or constructing new ones whenever it appeared that such expenditures would improve the opportunities for sale or rental of farms, the department made large investments that cannot be recovered under prevailing conditions.

Expenditures on farms in real estate had mounted to over $1,500,000 by the end of 1930. During the same time incomes had totalled only $528,000. An item of over $500,000 in delinquent taxes was included in this total. This amount actually accrued before the farms were taken over but under special arrangements with county officials was paid after transfer was complete.

It should be explained that of the above reported income $160,000 is made up of down payments or interest on contracts for deed on farms sold.

As more complete figures are available for December 31, 1931, than for the year previous, they will be used here. By that date 316 farms had been sold for a contract price of nearly $2,000,000. Only 13 farms had been paid for in full. Ninety-two contracts had been cancelled. Records on farms studied in detail indicate that the average down payment at time of sale was only 8.7 per cent of the contract price. Difficulties of farm sales are increased by the undesirable type of farms owned in many sections. Results of a survey made by the department early in 1932 (not included in this study) show the undeveloped character of many farms. At this time it was found that there were included in the department holdings,

134 farms with less than 10 acres cleared
192 farms with less than 20 acres cleared
522 farms with less than 30 acres cleared
144 farms with no buildings

A further suggestion as to losses which the department is almost certain to face was revealed in a survey of 475 farms which it owned at the end of 1931. Estimates of value of farms at that time were approximately two-thirds of the amount of the state investment in these farms. On this basis

the farms owned at the close of 1930 would represent a loss of $5,000,000.

In conclusion, it appears that the losses which the Minnesota Department of Rural Credit is undergoing are as much traceable to the policies pursued, particularly in the early years of its operation, as to the present economic situation. Classification and reappraisal of all farms are necessary in order that their future use may be determined on a sound basis. Only farms in the most desirable locations and on the better soils should have expenditures made upon them for improvements. Farms in nonagricultural areas should be transferred to other state agencies that can make the best use of them for forestry or recreational purposes. Rental systems should be improved and more attention given to the type of renters. Expenditures for sales purposes should be held to a minimum and better sales terms insisted upon. Even with the most efficient administration of the affairs of this department in the future, millions of dollars in taxes will have to be raised to settle its account.

RATIO OF INCOMES TO EXPENDITURES ON FARMS IN THE REAL ESTATE DIVISION UP TO DECEMBER 31, 1930

District	Total Income since Acquisition	Total Expenditures since Acquisition	Income Expressed as a Percentage of Expenditures
			Per Cent
Northwestern	$298,961	$1,100,000	31.8
Northeastern	58,089	134,321	46.6
Central	90,946	132,863	75.9
Southwestern	51,034	142,156	44.1
Southeastern	25,025	41,780	63.8
State	$528,890	$1,551,191	39.2

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VARIATIONS IN MARKET PREFERENCES FOR HOGS

A wide and striking variation in the weights of hogs purchased by killers in different sections of this country is shown in a study of 38 million hogs slaughtered under U. S. federal inspection in 1928. The fact that the people living in neighboring areas have a sharply different idea of what constitutes good fresh pork is brought to light in this analysis of the consolidated reports from 111 packing plants through the Division of Livestock, Meats and Wool of the Bureau of Agricultural Economics.

The table on page 172 shows that, in the year 1928, representative packers in New England killed approximately one million hogs that averaged nearly 250 pounds in weight. In the adjacent territory of New York State and eastern Pennsylvania the sample of about 3 million hogs averaged 170 pounds per head. At the same time, the territory close to Chesapeake Bay, including the cities of Baltimore, Washington, and Richmond, slaughtered

AVERAGE MONTHLY WEIGHTS OF HOGS SLAUGHTERED BY SELECTED GROUPS OF PACKERS—1928

	Wilmington Baltimore Richmond	St. Paul, Sioux City, Omaha, St. Joe group	Interior group, Wis., Minn., N.D., S.D., Iowa, Mo., Kans., Neb.	Pacific Coast group
	4 packers	11 packers	21 packers	15 packers
	lbs.	lbs.	lbs.	lbs.
January	158	237	229	181
February	158	249	235	191
March	164	253	236	189
April	161	252	235	187
May	163	254	235	187
June	164	257	242	166
July	173	272	255	189
August	177	282	258	188
September	176	260	249	188
October	162	244	236	190
November	156	238	231	190
December	163	232	228	191
No. of hogs	533,970	7,063,123	10,024,067	1,160,499
G. ave. wt.	163.5 lbs.	249.5 lbs.	237.0 lbs.	186.5 lbs.

	New England group	N.Y. Penn. group	Ohio Pitts. group	Ill. Ind. group	K.C. Wichita group
	6 packers	16 packers	13 packers	19 packers	6 packers
	lbs.	lbs.	lbs.	lbs.	lbs.
January	251	166	224	237	255
February	255	169	226	242	254
March	259	168	222	245	254
April	254	170	220	244	247
May	254	168	221	240	241
June	254	170	222	244	243
July	253	174	227	262	255
August	251	177	232	265	266
September	252	173	230	255	246
October	253	172	221	250	236
November	231	169	221	243	244
December	237	169	222	234	243
No. of hogs	1,186,921	2,909,415	2,600,166	9,005,884	3,592,027
G. ave. wt.	249.5 lbs.	170.0 lbs.	223.5 lbs.	244.5 lbs.	248.5 lbs.

hogs averaging a little over 163 pounds in weight, according to the sample of a half million head reported by packers there. The Pacific Coast killed 187 pound hogs while the Missouri River points averaged approximately 249 pounds in that year. The Illinois-Indiana group averaged 244½ pounds while the interior packers preferred a medium weight hog on the average.

The study covers only one year and only 38 million of more than 49 million hogs slaughtered under federal inspection during the year 1928. It is planned to study a longer period as a check on the results of this preliminary work.

While it seems certain that five-year average figures would vary somewhat from those presented above, the experience of traders on central markets and in direct selling verifies in a general way, the weight contrasts shown here.

The people in New England, following the custom of their people in Old England, have always shown a preference for fat cuts of meat, whether in pork, beef, or mutton. Fat meat from heavy animals is sold at a premium in that territory. Light weight cuts are sold at a discount. In the New York and eastern Pennsylvania territory, where population is densely centered and people are confined mainly to city work, there is a demand for lighter cuts of meat. People who live in small apartments with good heating facilities and who are doing indoor work, demand light weight cuts. In this territory heavy meat with fat on it is sold at a discount. These two illustrations give an idea of some of the reasons for different weights of hogs slaughtered in these two territories. Space is not adequate here for a description of the causes for weight differentials in other territories. However, they are many and varied and not easily summarized.

It is well to keep in mind that slaughter in the Eastern part of the United States is devoted largely to the fresh meat trade while farther west both packing and fresh meat are important.

It is apparent that cornbelt farmers who furnish most of the hogs killed under federal inspection in this country, are vitally interested in the kinds of meat which consumers want. For this reason, it is entirely in order that our producers and sellers investigate closely the opportunity to meet the specific demands for hogs. In any other line of production outside of agriculture, the practice is generally for a producer first to find out the nature of the demand for his product, and then to carry on production to meet that demand. This is not always true in agriculture. While cornbelt farmers are interested in the eastern demand for hogs, it is well to remember that this demand is limited and that strict grading usually is required. The largest part of the nation's hog crop is slaughtered in territory adjacent to where it is produced and while farmers are to be commended for their interest in distant markets, it is well not to over-emphasize their importance.

In recent agitation concerning the direct sale of hogs, attention frequently has been called to the fact that hogs sold to eastern killers bring higher prices. The prices paid for shipping hogs at terminal markets are given as evidence of the case in point. Up to the present time, most shipping orders for the select eastern trade have been handled to best advantage in large part from terminal markets where there is a large volume of hogs and a wide opportunity for close selection and grading.

In those territories where farmers are banding together in an attempt to work out methods of assembly and disposal which will take advantage of particular and select grades, two of the largest problems involved are: First, that of getting hogs of first class quality and in sufficient numbers to satisfy the demand; and second, that of working out trading relationships which will secure a premium for high quality hogs and return that premium to the man who grows and delivers the hogs. This work can be accomplished only in a territory where there is a sufficient volume of hogs and where there is a grader and trader with sufficient knowledge and experience and trading ability to merchandise these hogs in a way that will secure premium price for premium hogs. And in addition, this trader must be backed by a group of growers who know what quality hogs are and are willing to see a premium price paid to the grower who delivers hogs of premium quality. This also entails that an understanding is prevalent among the growers that hogs of low quality will bring a low price. The requirements outlined above are not at all easy to meet. One difficulty is that hogs which are considered top quality at one time and place are not considered top quality at another time and at another place. Another is that shipping long distances to market involves either a long wait for returns or some system of advancing money so that the consignor gets at least part of his money at time of delivery.

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A COMPARISON OF SALE VALUES OF FARM REAL ESTATE AND CENSUS VALUES IN MINNESOTA

In America the value of farm real estate is understood to be the price at which the farms sell in the market. The real estate market is not highly organized and with many different conditions surrounding each sale, the price for a farm may not reflect accurately the income which the farm is likely to yield over a period of years. Barring forced sales, however, the average sale price for farm real estate is likely to reflect approximately what buyers and sellers think the farms are worth, and presumably the basis for valuation in most cases is expected incomes from the farms.

Figures of the value of farm land usually are based on actual sales or estimates of values such as those found in the United States Census. The values of farm land and buildings in the Census are estimations by the owner or the enumerator of the "amount for which the farm would sell if it were being sold under normal conditions—not at forced sale." When census values are used the question arises as to the reliability of the figures. Do census figures approximate the sale prices of farm real estate or are they biased either upward or downward? To answer this question for farm land values in Minnesota, comparisons were made of census values and sale values. The results are shown below.

The sales values used were obtained from the records of actual sales compiled by the Minnesota Tax Commission. Since these sales are summarized by two-year periods, comparisons made with the census figures are for sales for two years, that is, values in the 1910 census are compared with sales during 1910 and 1911; the 1920 census with sales in 1920 and 1921; the 1925 census with sales in 1924 and 1925; the 1930 census with

sales in 1930 and 1931. The sales figures exclude all forced sales and sales to relatives as nearly as possible. Therefore they represent prices which are to a great extent the result of bargaining between a buyer and seller of farm land.

An average sale price per acre was computed for each county for each two-year period mentioned above. These averages for 1910-11 and 1919-20 are believed to be fairly representative of all sales in the counties during those years, because they are based on a large sample, usually 150 to 350 farms. The averages for 1924-25 and 1930-31 in many cases may not be as representative, because they are based on a smaller number of transfers, about 50 per county. During these years there were fewer sales, other than forced sales, than in former years and the actual consideration was reported in fewer cases.

TABLE 1.—A COMPARISON OF AVERAGE SALE PRICES AND 1910 AND 1920 CENSUS VALUES PER ACRE FOR FARM LAND AND BUILDINGS IN AGRICULTURAL DISTRICTS OF MINNESOTA

District	U.S. Census Apr. 15, 1910	Sale Prices 1910 & 1911	Amount Census Exceeds Sales	U.S. Census January 1, 1920	Sale Prices 1920 and 1921	Amount Census Exceeds Sales
No. West.	$29.50	$23.52	$5.98	$62.76	$56.61	$6.15
No. East.	17.54	11.47	6.07	35.61	23.99	11.62
E. Central	31.37	24.24	7.13	75.65	68.17	7.48
W. Central	40.96	38.95	2.01	105.03	97.73	7.30
So. West.	54.69	56.84	−2.15	158.21	152.43	5.78
So. East.	58.94	58.28	0.66	134.50	141.22	−6.72
Minnesota	45.62	40.57	5.05	109.23	104.32	4.91

The county average sales prices per acre were compared with the average values per acre for farm land and buildings reported by the census. Average sale values and average census values were also computed for each of the six agricultural districts of the state. District averages for census values were arrived at by dividing the total value of farm land and buildings in the district by the number of acres in farms. The average sale prices for each district were determined by averaging county sale prices, each county price being weighted according to the land in farms in the county as given in the U. S. Census of 1930.

Table 1 gives a comparison by districts of average sale prices per acre and the census value per acre for farm land and buildings for the 1910 and 1920 census. The census values in 1910 averaged $5.05 higher than sales during 1910 and 1911 for the state as a whole. They were lower only in the Southwestern district which has the most productive land of any region in the state. On the whole for the 1910 census, the conclusion might be drawn that in the Southern part of the state census values approximate sale prices while in the Northern part they exceed sale values.

The years 1910 and 1911 were years of gradually rising land values and the census figures probably exceeded sales prices at the date of the census by a greater amount than the figures indicate. If a comparison could have been made with sales in 1910 alone, the difference likely would have been greater. On the other hand, census figures represent during this period values for farms with more improvements than the farms sold because a good deal of farm land without buildings and other improvements was being sold at that time.

The census of 1920 gives values as of January first of that year. This was a time of high land values which continued through all of 1920 and most of 1921. There was a sharp break in prices of farm products in 1920 and the decline continued in 1921, but land prices remained at high levels. While the number of sales declined, a sharp break in land prices did not occur until 1922. Census values exceeded average sale prices in all districts

TABLE 2.—A COMPARISON OF AVERAGE SALE PRICES AND 1925 AND 1930 CENSUS VALUES PER ACRE FOR FARM LAND AND BUILDINGS IN AGRICULTURAL DISTRICTS OF MINNESOTA

District	U.S. Census Jan. 1 1925	Sale Prices 1924 and 1925	Amount Census Exceeds Sales	U.S. Census April 1, 1930	Sale Prices 1930 and 1931	Amount Census Exceeds Sales
No. West.	$45.38	$43.81	$1.57	$32.73	$28.94	$3.79
No. East.	38.28	21.81	16.47	33.12	19.08	14.04
E. Central	59.88	49.40	10.48	51.33	36.70	14.63
W. Central	76.26	74.30	1.96	60.24	57.80	2.44
So. West.	104.69	110.34	−5.65	92.26	90.72	1.54
So. East.	101.45	103.77	−2.32	90.08	88.16	1.92
Minnesota	79.63	76.64	2.99	68.74	62.65	6.09

except in Southeastern Minnesota where sale values were higher. In this district there was less inflation of land values and fewer farms changing hands than in many other sections of the state, and farmers on the whole were more conservative in their estimates of value. The greatest difference between the 1920 census and sales values occurred in the Northeastern area where census values were $11.62 higher on the average. This is the cut-over region where agriculture is in the process of development and in 1920 farmers had high hopes of future increases in value.

Table 2 shows a comparison of average sale prices of farm real estate by districts with the census values of 1925 and 1930. The year 1924 was one of the sharp declines in prices of farm land in Minnesota, but prices in 1925 were more stable and showed only a gradual decline. The sales figures include a number of sales in the early part of 1924 and it might be expected that sale prices would average higher than the census figures. This is the case for Southeastern and Southwestern Minnesota, and there is very little difference between sales and census values in the West Central and Northwestern Districts. However, in the cut-over regions, which

include the East Central and Northeastern districts, the census values were much higher than the average sale prices.

It is difficult to establish an average which is representative of sale prices during 1930 and 1931. These were years of declining values for farm real estate with a large number of farms being sold because of foreclosures of mortgages. On the basis of sales data available, however, it seems that the average value of farm land and buildings reported in the census of 1930 was practically the same as the average sale prices in all districts of the state except the two districts of the cut-over region.

The general conclusion may be drawn that the average values of farm land and buildings reported in the census approximate quite closely the average sale prices of farm real estate in the older and better developed agricultural regions like Southeastern and Southwestern Minnesota. In the newer regions, where agricultural development is not as far advanced, average census values are higher than average sale prices. This is particularly true in the cut-over areas of Northern Minnesota. In these regions census values are considerably higher than sale prices of farm land.

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IMPORT QUOTA SYSTEM IN GERMANY

The German Tariff Policy is just about to enter a new and outstanding phase of its history.

The student of tariff history, and especially of international tariff problems, will recall the gradual development of the German tariff as indicated by important steps, such as:

1. The Customs-Union of 1834.
2. The introduction of tariff duties in 1879.
3. The introduction in 1894, and improvement in 1906, of the German Import Certificate System.
4. The post-war tariff policies, imposed upon Germany by the Versailles Treaty. (Most favored nation principle, etc.)
5. The resurrection of the German Import Certificate System, 1925.
6. The gradual elimination of this System and the restriction of imports, including the introduction of milling-quotas, by emergency decrees in order to maintain a favorable trade-balance.

"Why all this experimenting?" inquires many a newspaper outside of Germany. The answer is that it may be regarded as experimenting in so far as an eventual introduction of the import quota system will constitute the technical trying out of something "new." But it is not experimenting with economics, since it will not be a matter of finding the best system of tariff protection. Rather, it is the result of economic necessity, just as the adoption of every step of the German tariff system was the result of conditions prevailing at the time; a fact which was and is not fully appreciated abroad.

The necessity arises from the fact that Germany's commercial pacts did not work out the way they had been expected. Therefore, the German farmer demands emphatically the temporary introduction of an import quota system. The German government recognizes its urgency, although nobody can deny the difficulties arising from certain provisions in existing

commercial treaties and protective measures, designed to serve the contradicting interests of manufacturing, industry, and agriculture.

Moreover, the import quota system will not constitute an independent action in itself, but it is rather a part of the agricultural program of the presidential cabinet, and is called "a program of agricultural relief." Its three parts are:

1. The import quota system.
2. The reduction of agricultural interest rates.
3. Protection against foreclosure.

It must be admitted that this program is about to employ measures which exceed anything previously done in aiding German agriculture, and which go farther than the acts of former monarchistic governments of Germany. Of course, the need was never so pressing. Furthermore, it should be remembered that this program is a part of striking emergency measures. They should be appraised as such, because in the long run the restriction of dealing and trading, the interference with private agreements (mortgages and loans), and the restricting of personal and property rights are doubtful as permanent solutions and may bring for the farmer "privileges" most undesirable from his own standpoint.

The import quota system regulates the importation of certain products. These are: cabbage, tomatoes, onions, cut flowers, table-grapes, the most important varieties of fruit, certain kinds of lumber, beef cattle, bacon, lard, cheese, carp, peas, and rice by-products.

A desirable import quota has been determined for each one of these products, although the final quota can be fixed only with consent of the exporting countries in order to avoid violation of the existing international commercial pacts. The official comment indicates that quotas will be established for products which have experienced not only a decline of prices but a complete ceasing of marketing possibilities. The system also will prevent surplus imports of products for which duties are ineffective.

The so-called "tomato-commission" is abroad, negotiating with different countries concerning import quotas. The Netherlands, Germany's best customer, oppose the introduction of quotas, while Italy shows a more favorable attitude. Naturally, negotiations of this kind are rather difficult and often success can be secured only after lengthy discussions.

Regardless of the final outcome, it should be realized that Germany neither invented the quota system nor was the first to employ it. Almost all countries have imposed very narrow quotas upon the German industrial exports, and Germany's position in the world market has been limited greatly by quotas everywhere.

Germany wants to pay her debts to foreign nations in kind but finds all doors closed. It is in consequence of the barring of German imports by foreign lands that Germany herself plans the introduction of import quotas for certain products. All countries demand the payment of debts with interest in money or goods to be delivered from Germany. However, as soon as Germany attempts to meet her international obligations, she is practically prevented from doing so.

Therefore, it ought not to be considered an unfair, or unfriendly action, if Germany limits the importation of goods:

1. Of which there is a large surplus in the home market.

2. Which the consumer can secure for little money at home.
3. Of which eventually considerable quantities perish on account of decreased purchasing power of the German people.

A few words may be added in explanation of the remaining points of the agricultural program. In order to reduce general and overhead costs of agricultural production, the government assumes a two per cent reduction in interest rates of long-term mortgages, thus relieving the farmer of one-third of his interest payments. Saving, economizing, and protection of capital accumulation is thought to be the only sure way of attaining low interest rates. This measure also is of a temporary character.

As a protection against foreclosure, the government expects to prevent foreclosures when agricultural prices are abnormally low or when inability to pay is due to livestock disease epidemics or extraordinary climate and weather conditions. Court decisions in behalf of such obligations are to be postponed for three months in order to give a third party, to be selected, an opportunity to settle the respective questions between creditor and debtor by agreement.

In concluding it may be said that this is an agricultural program of great importance and interest. According to the latest news, a scale of sliding tariff rates may be substituted for the import quota system. Both are based upon the same program.

Horst A. Wadsack

Germany

THE ELECTRIFICATION OF THE VILLAGE IN CZECHOSLOVAKIA

The object of the electrification of the village in Czechoslovakia is not only to provide the people with an opportunity of using electricity for lighting and heating, but also to make it available in their agricultural and industrial business.

The electrification of the village in Czechoslovakia follows two main lines:

(1) The community itself undertakes the task of distribution of the electrical current among the people, especially for lighting purposes;

(2) Cooperation in order to increase the individual use of the electricity in industrial production.

The communities have taken an important part in the electrification of the village. According to the latest figures, 8,338 communities in Czechoslovakia, i.e., more than a half of the total number of 15,422, provide the people with electrical energy.[1] Only very infrequently, however, do the communities provide the rural people with electrical current for industrial purposes. In this line, the electric cooperative societies are the most successful. The number of such societies reached 1,757 at the beginning of 1930,[2] and now there are more than 2,000.

These cooperative societies can be divided into three classes. To the first belong those which produce the electrical current in their own plants and supply their members with it. At the beginning of 1930, there were 39

[1] Zem. Druz. Listy, 1932, N. 20, p. 313.
[2] Zem. Druz. Listy, 1932, N. 21.

such societies with 7,662 members, 453 of which were communities. To the second group belong the cooperative societies, which buy the electric current from plants and distribute it among their members by means of their own net of electrical cables. To the third group belong the cooperative societies for financial supplying of the local electrical net. The societies of this category are the most numerous in Czechoslovakia. At the beginning of 1930 their number reached 912.

Seventy-five per cent of the electrical cooperative societies are incorporated in the Central Union of the Agricultural Cooperative Societies in Prague, and, according to its President, Ing. Klinder, they are second in importance only to the credit cooperative societies in this Union.

The local electrical cooperative societies and communities may obtain financial support from the Government. Because of comparatively large expenditures, connected with electrification, such assistance is indispensable. It may be noted that the cost of a transformer station amounts approximately to 36,000 czechoslovak crowns; 1 kilometer of a secondary net, 25,000 cz. crowns; and a branch-line, 220 cz. crowns. The Government of the Czechoslovakian Republic, taking this into consideration, has granted loans for the electrification of villages since 1924. At present the total sum of loans granted is limited to 35 mil. cz. crowns per annum, and from 1933 to 1940 the total of the annual loans will be limited to 25 mil. cz. crowns.

According to Mr. Dubitzki, the Government's loans in total sum of 35 mil. cz. crowns per annum give a turnover of 450 mil. cz. crowns and this is a factor in the unemployment situation because of the work it makes available.

S. Borodaewsky

Czechoslovakia

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BOOK REVIEWS

Future Trading Upon Organized Commodity Markets in the United States, by G. Wright Hoffman. Philadelphia: Univ. of Pennsylvania Press. 1932. Pp. xvi, 482. $5.

"It is proposed in this study to marshal the available facts in the field of future trading for the purpose of better understanding its nature." (p. 6.) To carry out this objective Part I, consisting of twelve chapters, reviews the organization and operation of future markets. The first three chapters contain a concise description of the evolution of future trading in grain and cotton, and Chapter III concludes with a brief discussion of future trading in a number of other products. With this exception the book is concerned almost entirely with future trading in grain and cotton. One might wish for more discussion of future trading in other products, but it would be unfair to criticize the author for the omission. As he points out: Markets for future trading in grain and cotton were the first to develop, future trading in these commodities makes up the bulk of such trading, the technique of future trading is most highly developed here, most of the investigation has been in these markets, and the methods used in other future markets are modeled on those used in the grain and cotton markets. "Future trading in grain and in cotton may be accurately referred to as evolutions from current trade practice. They are a natural product of a period in which speculation and uncertainty played a prominent rôle and emerged from this period as a firmly established practice. In contrast to the development in these two fields, organized trading in other commodities has been definitely planned and with very minor modifications has taken over the features found upon the older markets" (p. 45).

The remaining chapters of Part I include a brief but (for the purpose) adequate description of grain and cotton marketing, the future contract and its use, the market structure—physical equipment, market reports and market news, brokers and traders—the organization and rules of the exchanges, trading procedure, and the clearing of contracts. The discussion of the future contract and its use (Chapter VI) is particularly clear. The discussion of the clearing of future contracts is rather difficult to follow, and although two chapters (XI and XII) are devoted to this interesting topic the discussion suffers, nevertheless, from abbreviation. But since this is primarily a matter of technical detail the general purpose of the book is not hindered.

Part II develops the price aspects and problems of future trading and in the reviewer's judgment it is exceedingly well done. The author's use of available material, his careful conclusions from his analyses, and his clearly expressed judgment of the soundness of the various arguments for and against future trading in general, as well as the special aspects of such trading, are particularly to be commended.

One of the author's conclusions is that hedgers as a group probably do not retain the benefit of the insurance afforded by hedging. "By hedging they are enabled to borrow more freely and to extend their capital over a wider area, to reduce their per unit cost of operation. It is likely that the benefit of this lower cost, through force of competition, is passed on either to the consumer in the form of lower prices or to the producer in

the form of higher prices or partly to both'' (p. 445). This result is not unusual, for improved methods in any competitive field are presumed and usually do bring about just this result.

The reader may sometimes wish that more space had been devoted to some of the controversial issues involved in future trading, such as manipulation, squeezes, corners, the effect of short selling on prices, and the difficult distinction between some forms of speculation and pure gambling. But since, as the author points out from time to time, the available facts on which to base such a discussion are meager, it is doubtful whether a more extended discussion of these points would lead to more adequate conclusions.

Most unprejudiced observers will agree with the author's final conclusion, that ''Without substantial reform the system will undoubtedly continue a subject of political attack with the possibility of ultimate replacement by some other plan of marketing'' (p. 455).

The reader who has followed a considerable part of the literature resulting from the various investigations of future trading (some of which have been made by the author himself), lays down this book with the feeling that, while he may have known most of what the author has said, he is glad to have it brought together in this clear and concise manner. The reader who wants to go further has here an excellent place to start his investigations and the important original sources for further reading are indicated. The reader who approaches the subject with little previous knowledge of this complex subject will find here what is undoubtedly the best statement and analysis of the whole subject, and one which seems likely to remain the best standard treatment for a considerable time to come.

Fred E. Clark

Northwestern University

Bevölkerungsgang und Landwirtschaft, by N. Jasny. Berlin, 1931. 88 p. Berlin. Institut für Landwirtschaftliche Marktforschung. Schriftenreihe, Heft. 2.

The agricultural significance of the recent accelerated decline in births in the European sphere of civilization is being realized in Germany more rapidly perhaps than in any other country. Although the population of all European countries as well as of the United States and Canada is increasing, this increase is due principally to the low death rate resulting from the large number of young and middle-aged people who will live out the allotted span of life, rather than to a permanent natural increase of population. From 50,000 to 100,000 fewer children are being born each year in the United States than in the year preceding, and the number of births is decreasing to a similar extent in the countries of northwestern Europe except in France, where both births and population are practically stationary. In Germany, Great Britain, and Scandinavia, as in the United States, a stationary population is only a few decades away, unless the number of births or immigrants increases, and it appears probable that this stationary population will be followed by a decline, slow at first, but becoming more rapid as the average age of the population increases.

Dr. Jasny, in Bevölkerungsgang und Landwirtschaft, presents what to

him are the probable consequences to agriculture of this trend in population, not only for Germany but for the world. The first consequence will be a reduction in the rate of growth of the demand for food products. The increasing numbers of people in the past have constituted the major source of the increasing demand for food which characterized the situation prior to the present depression. The second effect of the decline in number of children will be a decline in the number of laborers available for productive effort. The labor supply is constantly recruited from the children as they attain maturity, and a decrease in number of children will inevitably affect the supply of laborers. On the other hand, the number of old people will increase for several decades. The number of children under 5 years of age in the United States declined between 1920 and 1930, whereas the number of persons over 65 increased 34 per cent. Manual labor stands to gain by the decline in births, at least temporarily, while old people may find it more difficult to earn a living unless society makes an effort to provide them with work.

The reduction in supply of manual laborers will affect both agriculture and industry. The reduced labor supply should result in higher real as well as nominal wages, and should lead to increased production per worker. The higher wages will make necessary a more effective organization and operation of farms. The trend in agriculture seems likely to be toward more forage and particularly soiling crops at the expense of the grains and especially the intertilled crops (mostly potatoes in Germany), and at least a relative increase in importance of the animal enterprises. Although the major shift in agriculture will be the retreat of the crop enterprises in relative importance and the advance of the animal enterprises as sources of food for human consumption, exceptions may occur in the case of fruits and the more desirable types of vegetables.

The effect of higher wages will be to increase the purchasing power of the masses, which, coupled with lower prices for agricultural products, will induce a shift from the consumption of cheaper goods to those which are dearer and a change from goods of poorer quality to those of better quality. As in the United States since the World War particularly, the trend will be toward more milk, eggs, pork, and green vegetables, with less bread and cereal foods but more sugar.

A further consequence of the population trend will be a reduction in the prices offered for land, particularly the less productive land, and a curtailment in the shares going to rent.

Extensive types of farming, at least with reference to labor, will tend to prevail over the more intensive type of operations. The shifts of agricultural laborers to the cities, attracted by the high wages, will take workers from the large estates and later the sons of small farmers. This will induce selling of small farms and combinations of these farms into larger units, as well as the breaking up of many large estates. There will be also a trend toward mechanization on the better soils. Arable cultivation on poorer soils will be severely affected, and much plow land will revert to pasture. Rye and oats, in particular, can scarcely fail to escape a reduction in acreage. The concentration of crop production on the better soils will also tend to increase production per worker. "German agriculture must adjust itself to higher wages for laborers, declining land prices and rental shares, the increasing necessity for the most effective farm

organization and operation, and a tendency toward unprofitableness of the small farm.''

Animal husbandry will feel strongly the effects of the diminishing population growth. Although the opportunities for expansion that existed before the War are gone, the situation is much less unfavorable than in crop husbandry. In addition to increased consumption per capita of milk and meat that will result from a rise in wages, consumption of domestic products can be expanded appreciably by suppression of imports. ''Expansion of demand, suppression of imports, and improvement in quality of products even if only carried out to a limited extent offer a satisfactory field of endeavor for animal husbandry in the time period under consideration. Later opportunities even in this field are likely to be negligible. In time the point of satiety will be reached in the entire field of food consumption. Many countries are obliged to economize even in the use of salt. Many countries on the other hand are already so far advanced that the people may eat their fill of bread. In the not too distant future meat and milk will have their turn. If in addition to the stagnation of demand the number of consumers should no longer increase or should even decrease, then the respective enterprises must stagnate or even shrink.''

Although writing primarily of the outlook in Germany, Dr. Jasny does not limit his presentation to that country. His text, the supporting tabular and graphic material, and his conclusions touch the entire world situation. This world situation Dr. Jasny asserts has not yet been sufficiently recognized by statesmen. However, in time, these changes must be taken into account through proper adjustments, not only in agrarian but also in other national policies, and not alone in Germany but likewise in all civilized countries. The earlier it is recognized that changes in national policies are necessary, the less will be the inescapable damage done. ''The expansion of import demand will be sharply curtailed, the expansion of exportable surpluses will further tend to increase. The changed population trend will accentuate still further the lack of equilibrium between supply and demand for agricultural products in world commerce—a situation already initiated by the mechanization of agriculture and the use of commercial fertilizer. However, the smaller labor supply offers a means of overcoming the crisis. We shall not attempt to determine at this time which of the two influences is likely to prevail, that of a declining population which will accentuate the crisis or that of a diminishing labor supply which will mitigate it.''

In the United States the author sees less opportunity for agricultural expansion than in Europe, because the shift from cereal foods to meat, milk, and other foods requiring large areas of land for their production is much nearer completion than in Europe. The trends in the United States point to further reduction in farm population, reduction in agricultural production, and reduction in the exportable surplus, with restriction of exports to commodities in which the United States has notable advantages, particularly cotton, tobacco, and wheat.

W. J. Roth
O. E. Baker

Bureau of Agricultural Economics

Tax Study, in Thirteen Lessons. Text by Jens P. Jensen and Harold Howe. Kansas Chamber of Commerce and cooperating agencies, Topeka, 1932. 85 cents.

"Taxes must be reduced!", is the familiar slogan which heads the introductory statement to this unique series of pamphlets on tax theory and tax reform. But far from leaving this slogan without further illumination as has been so often the case with proponents of tax reduction in recent months and years, the authors proceed to a clear and even popular discussion of the essentials upon which modern tax practice is conceived to rest together with the practice itself and the problems involved in tax reform and reduction.

Some of the implications of this series of thirteen "Tax Lessons" are perhaps more interesting than the subject matter itself. Sponsored by the University of Kansas, Kansas State College, the State Grange, Farm Bureau, and Farmer's Union in cooperation with the Kansas (State) Chamber of Commerce, the avowed objective is more general enlightenment on matters pertaining to public finance. The formation of "Tax Study Clubs" is proposed as a part of the program with the series of tax lessons to serve as texts for discussion.

The entire project in fact comprehends progress in modernizing the tax system through the education of the electorate itself in the principles involved. Anyone with faith in the ultimate superiority of democratic institutions for government will agree that this approach is fundamental. It seems certain that it is long overdue, not only in the field of taxation, but in numerous other branches of public policy.

The thirteen lessons in the series are topical in character and cover such subjects as "Why Taxes?", "Governmental Expenditures," "Governmental Revenues," "The General Property Tax," "State Income Taxes," "Highway Taxation," "Plan of Model Tax System," and others. While some consideration is given to problems in the field of federal taxation, the authors apparently have found it necessary to restrict their attention largely to matters of state and local concern. Discussion of the various tax genera includes a brief historical account, outline of the present forms, nature of administration, fiscal significance and a conscious effort to trace out the knotty and abstract problems of incidence.

The authors are to be particularly complimented on their treatment of the general property tax. Three lessons are devoted to the various aspects of this tax, including one on the tax in general, one on administration, and one on the classification of property for taxation. Particularly apt is the treatment of the thorny problem of taxing tangible and intangible personal property—the particular phase of the general property tax which perhaps is subject to the most widespread misconception. The authors' explanation is embodied in the following quotation, "The truth is that we are trying to combine in our 'general property tax' two mutually incompatible concepts of property taxation. Practical necessity dictates that tangible property shall be taxed, without deduction for debt where the property is located. Such a tax is . . . regarded as a charge upon the property . . . regardless of the personal economic condition of the owner. . . . But when we argue that the equities represented by the intangibles shall pay a tax in addition to the underlying tangible property, we are

thinking of a very different tax, one in proportion to the net worth of the owner."

Just as the entire theory and practice of taxation is replete with controversies and disagreement, so it is possible to find points throughout these pamphlets where one might feel inclined to take issue with the authors. Whether the "average American citizen" is "only remotely affected by federal taxes" or is merely unable to perceive the extractive process, may well be asked. A tendency on the part of the authors to confuse the sales tax with the turnover tax (Umsatzsteuer of German experience) is unfortunate in light of the general interest in the first mentioned of these taxes at the present time. The attempt which is made to set up payment of operating costs, interest and the equivalent of taxes as the test of a publicly owned service enterprise is wholly untenable if the people choose to pay for the service in taxes rather than by rates and recognize that they are so doing. In other words a publicly owned utility for supplying water *may* be quite as justifiably supported according to the ability theory as according to the benefit theory and the practical difference is that water is paid for by taxes rather than by a charge for the quantity used.

Such comments, however, are largely beside the point and this is particularly true of any tendency to question the basic or theoretical treatment. The series of lessons derives a large share of its real value from the very fact that it is written for actual educational consumption and not to anticipate temporary criticism.

Work of this kind, carried to the logical conclusion of placing it in the hands of the electorate and encouraging careful study, is all too rare.

J. K. Galbraith

University of California

Economics: Principles and Problems, by Lionel D. Edie, Second edition. Rev. and reset. New York: Thomas Y. Crowell Co., 1932. Pp. xx, 859. $5.00.

In 1922 Professor Edie published a volume entitled "Principles of the New Economics" in which he attempted to integrate "the several divergent tendencies in economic interpretation in their fundamental relations." In this earlier volume the stress was upon "realistic description," and "psychological and historical viewpoints" as well as classical economic theory. In 1926, the first edition of "Economics, Principles and Problems" appeared, incorporating much of the earlier volume, but particularly deleting the mention of a "new" economics, and aiming to combine "a statement both of orthodox economic principles and of modern economic developments" (preface of the first edition). The 1932 edition carries forward this latter platform, and hence represents a summary of the theories most widely employed (if not always accepted), plus the addition of a tremendous amount of factual material, often in statistical form, rather than pursuing the elusive, if more exciting "new" economics.

Hence, it follows that Professor Edie's volume will meet the needs of those instructors who wish to have their beginning students obtain some contact with the range and types of economic theorizing, yet hope withal, to make some connection between economic theory and the facts of eco-

nomic life. Professor Edie's work meets this demand admirably for there can be little disagreement with the quality of his eclecticism, and the style of writing is such as to present an extraordinary amount of quantitative data with a minimum of reader resistance. In fact, this volume is probably not nearly as difficult for beginners as might be assumed from its size, compactness and array of charts and tables.

The topics discussed are those that appear in ninety per cent of the text books and hence will not be reviewed here. The prime difference is that of intermingling realistic description and abstract theory, as indicated above (but commonly in separate chapters) and in arrangement of materials. Throughout, one feels the play of conservative judgment and breadth of knowledge. The conclusions will normally appeal to those of balanced conservatism. For instance, the excellent presentation of the facts and problems of agriculture is summarized as follows: "Agricultural prosperity depends upon balanced relations with other forms of trade and industry. When old balances are upset, new adjustments are relatively slow. The inflexibility of agricultural output makes the farm population susceptible to extreme injury from waves of inflation and deflation. Attempts to integrate agriculture with modern corporate industry have been only mildly successful. Governmental attempts to extend aid either by financial machinery, by tariffs, or by marketing machinery have met with only a limited amount of success. The farmer is still muddling through" (p. 438).

Throughout, the choice of materials is excellent and the elucidation of abstract theories is done with considerable incisiveness. For text book purposes this volume should rank high among the many competitors in this field. The criticisms that might be directed at Professor Edie's volume from viewpoints of other than typical textbook demands, would obviously be unfair, since the intent of the author is to meet a teaching situation—not to write his own economic theory. In two instances, the reviewer was particularly disappointed in this volume. In the first place, the absence of detailed treatment of markets and marketing leaves a serious gap; noticed especially because of the lengthy discussion in the first volume of 1922. In the second place, the heading of Chapter V, "Theory of the Increase of Production" raised hopes which were largely allowed to collapse since the discussion takes the usual form for production, i.e., defining the factors of production and then examining the division of labor, the localization of industry, machine technology, standardization, large scale production, the conservation of resources and the contribution of science, research and invention. Obviously, this sort of description is only a basis for the "theory of the increase of production," for it does not come to grips with the problem of the enlargement of the national dividend arising from net additions to the total product of industry as contrasted with the shifting of pawns in a closed market. One wonders whether a "theory of the increase of production" which was more than conventional description might not be an excellent point of orientation for a course in economics. Certainly, such a point of departure might provide a thread of continuity as well as the basis for constructive evaluation.

E. T. Grether

University of California

The Cooperative Movement in India, by Eleanor M. Hough. P. S. King and Son, Ltd., London, 1932. 340 pp. 15 shillings.

In this scholarly contribution to the literature on agricultural cooperation the reader is impressed not only by the industry of the author, but also by what must have been an indomitable spirit to carry her through the mass of material upon which the study is based. Around one thousand volume, chapter, and page references guide the reader to the authority upon which the statements are based. That an American student exercised the patience and courage to wade through such a voluminous mass of documentary evidence is worthy of comment. Furthermore, there is evidence that Miss Hough has not relied wholly upon the printed page, but in addition has traveled widely in India and conferred generously.

As to the cooperative movement in India, one is impressed more by the need for cooperative action than by its present development and accomplishments. An appreciation of this need as well as the difficulties in the way of outstanding results requires an understanding of the social and economic status of the rural population. Agricultural credit is essential to the cultivator. Poverty looms large as a national problem. These facts go far in explaining the trend of the movement. Cooperation in India is largely for the purpose of meeting an unwholesome credit situation. Hence it is not strange that the cooperative department is often known in the villages as the bank department.

India, by the traditions of its people with respect to family life and village government should provide a fertile soil for cooperation. On the other hand a population on the border of destitution makes cooperative progress along economic lines slow and halting. India, with two-thirds the area of the United States, has a population nearly three times as large. Seventy per cent of this population live by agriculture. The farm holdings are small; they average about seven acres per rural family. The cultivator is further handicapped by the fact that these holdings, in general, are composed of several separated fragments. This situation tends to explain the estimate of an average annual per capita income of 57 rupees. (The exchange value of a rupee, November 5, 1931, was 29c.) This is another way of saying that two-thirds of the population are in "abject penury."

Credit is a vital necessity. Indebtedness is prevalent if not universal among the agricultural classes. It is a barrier to the nation's economic progress. Interest rates charged by the private money lenders range from 9 to 100 per cent. Thirty-five per cent is not an unusual figure. So it is not surprising that the government turns to cooperative credit undertakings as a means of alleviating distress among its people. The movement had its legal beginnings with the adoption in 1904 of the Cooperative Credit Societies Act. This legislation provided for the incorporation of cooperative societies composed of ten or more members residing in the same town or belonging to the same class or caste. The Act was amended in 1912 to permit the incorporation of regional and central banks and unions which were coming into existence for the purpose of assisting the locals created by the original act. The amendment also broadened the field of endeavor of the Associations to include activities other than those pertaining to credit. The movement has, nevertheless, remained predominantly a credit one. Of the 102,000 local associations existing in 1930, eighty-five per cent were credit organizations. It is estimated that these furnish from two to

ten per cent of the total credit requirements of the farmers in the various provinces.

While the movement measured in terms of number of associations, number of members and volume of loans has steadily grown, it is not clear that it has made any great impression upon the people or any great difference in their economic well-being. Perhaps the latter accomplishment is too much to expect from any one type of undertaking. The large number of failures among locals in recent years, and the steady increase of loans overdue, are matters of serious concern.

The characteristic of Indian cooperation of greatest interest to the American student is the ever present paternalism of the government. Cooperation in that country was created by law, is administered by civil servants who inspect, supervise and in considerable measure control its activities. Self-help is generally looked upon as the keystone of the cooperative arch. That stone is lacking in India. On the other hand, one gains the impression that the government is highly aware that something should be done, and that the furnishing of credit on a cooperative basis gives most promise of results. If the government had not initiated the movement or should cease to guide it until the members are qualified to assume control, there would be no cooperation. Certainly Miss Hough has made a distinct contribution to the literature on cooperation by a case analysis of conditions illustrating a pressing need for cooperation under circumstances which make its successful operation most difficult.

Asher Hobson

University of Wisconsin

Agricultural Cooperation in Ireland, by The Horace Plunkett Foundation: London, England. George Routledge and Sons, Ltd. 1931. Pp. xiv, 424. 7s 6d net.

A review of this book, "Agricultural Cooperation in Ireland," would be inadequate without some mention of that outstanding leader who not only assisted and guided the agricultural cooperative movement in Ireland through its many vicissitudes and trials but who also, through his generosity, made possible the Foundation which bears his name and which prepared this book—the late Sir Horace Plunkett who died on March 26, 1932. "Agricultural Cooperation in Ireland" is a suitable monument—far more suitable than a statue in marble or bronze, to the practical idealism, vision, self-sacrifice and leadership of the late Sir Horace Plunkett and his fellow-workers in developing agricultural cooperation in Ireland. Sir Horace Plunkett, however, did not confine his interest or energies to Ireland only. He had an international reputation as a cooperative leader. His formula for agriculture, "Better Farming—Better Business—Better Living," has been universally adopted as the main purpose of agricultural cooperation. The Horace Plunkett Foundation has rendered the cooperative movement throughout the British Commonwealth of Nations, even throughout the world, a tremendous service in compiling, analyzing and publishing information on the cooperative movement in different countries.

The book starts off with a foreword by the late Sir Horace Plunkett in which he sets forth the purpose of the Horace Plunkett Foundation in the following words:

"Its Trust Deed made it clear that its general purpose was to investigate, develop and make known to all countries to which they might be applicable certain ideas which underlay the work of the Founder in Ireland for thirty years; but the Trustees were given absolute discretion to expend the initial endowment, and any further funds which might be forthcoming in any manner they saw fit. Its widespread researches have been devoted to investigating the organization of the business of agriculture, and the agricultural policies of the several governments, in a great variety of countries."

Sir Horace Plunkett was gravely concerned over the fact that in England "so little thought has been given—and even now is given—to the rural side of things. . . ." This was due to the English economic policy, which had two main objectives, industrial development at home and commercial expansion abroad. This had led to the subordination of agriculture to other interests. Sir Horace, ever the visionist, looked forward to the day when the cooperative movement would come into its own in English agriculture. He found some ray of hope in the change of public sentiment during recent years. He considered that English agriculture should be rehabilitated and that a definite plan of land settlement should be undertaken. This it was felt would tend to relieve the unemployment problem and at the same time bring about a better balance of trade. He and his fellow-workers were hopeful that the development of agricultural cooperation would be undertaken by those associated with the Industrial Cooperative Movement.

The book consists of ten chapters. The first chapter sketches the present position and importance of agriculture in the Irish national economy, especially in the Irish Free State; the reasons for the preponderance of livestock and poultry production in Irish agriculture; factors leading to the inception and the development of the cooperative movement in Ireland, the attitude of the state during the early days of the movement; the effect of the World War and its economic aftermath on the cooperative movement and developments since 1921 when the Irish Free State was formed.

Chapter two deals with the legal aspects of Irish cooperation; the acts under which trading societies and credit societies have to be registered; the requirements of such acts regarding registration, numbers of members, methods of voting and disposal of profits, etc., and the rules drawn up by the Irish Agricultural Organization Society for use by societies forming with the assistance of this body—a system of model rules and regulations.

Chapters three and four, which comprise over half of the book, are devoted to a detailed historical description of each individual society operating in the different counties in the Irish Free State and Northern Ireland. Information given includes a description of the topography and climatic conditions in each county, the present status and number of societies operating in each county and the combined turnover of groups of these societies. This is followed in the case of each separate county with a statement concerning the operations of individual societies. This includes the date of formation of each society, its membership, the area in which it operates, commodities handled or services performed, affiliations with other societies and turnover.

Chapters five to nine deal with the formation and operations of different types of cooperative societies. Chapters five and six are concerned with

creamery associations in the Irish Free State and Northern Ireland respectively. Chapter seven with agricultural societies or cooperative purchasing associations. Chapter eight with credit societies and chapter nine with miscellaneous marketing societies handling commodities such as bacon, eggs, and flax.

The tenth and final chapter is devoted mainly to an analysis of the functions and operations of the Irish Agricultural Organization Society and the Ulster Agricultural Organization Society, the two bodies which act as an advisory and guiding council for the numerous cooperative societies.

The whole book is a mine of very interesting information brought together with painstaking thoroughness. Much of the information in chapters three and four may not prove of much interest to persons not particularly concerned with the details of organization and operation of individual societies. It is possible that the general reader would have formed a better concept of the relative importance and specialized development of cooperaion in individual counties if more of the information in chapters three and four had been summarized in table form. This, however, is the only real criticism of the book that can be offered. Chapters, one, two, and ten will prove of special interest to those who wish to obtain in kaleidoscopic form a clear picture of Irish cooperation.

Those who have sponsored and guided the cooperative movement in Ireland have met with much the same problems as cooperative leaders in the United States. As a matter of fact, in spite of some marked differences in form of organization and the types of commodities handled, the principles and practice of cooperation are very similar. It would seem that a great deal of the credit for the successful development of cooperation in Ireland is due to the guiding and controlling influence of the Irish Agricultural Organization Society, a body which unfortunately does not have a counterpart in this country.

It was evidently not the intention of the Horace Plunkett Foundation to develop any new cooperative principles—these are firmly enough established. "Agricultural Cooperation in Ireland" is a dispassionate, well-balanced historical and descriptive analysis of the cooperative movement in Ireland. In view of the very marked progress of the movement in the face of very great difficulties, the Foundation is to be congratulated on its moderation of language. This makes the book all the more reliable as a chronicle of the cooperative movement in Ireland. The book is unqualifiedly recommended to all who wish to broaden their knowledge of agricultural cooperation.

J. M. Tinley

University of California

NEWS ITEMS[1]

The 1932 Meeting of the American Institute of Cooperation

The Eighth Annual Conference of the Institute of Cooperation was held at the University of New Hampshire at Durham, August 1 to 6, 1932. Something like a thousand people were in attendance. As was to be expected, the bulk of this attendance was from the northeastern part of the United States.

The general program was broad in its scope and dealt with the fundamentals of the problem of agricultural cooperation. The first two sessions were devoted to an analysis of recent trends and changes in the markets in which farmers' cooperatives sell their products. A general analysis of the trends in demand and in market machinery as an institution was presented by Professor Harry R. Tosdal of the Harvard Graduate School of Business Administration. The adjustment to these changes by the cooperatives was discussed by Mr. Paul S. Armstrong of the California Fruit Growers Exchange. Mr. Earl Benjamin, New York representative of the Pacific Egg Producers' Cooperative, told how his Association had attempted to adjust the seasonal volume of its egg sales in view of the prospective seasonal course of market prices. George H. Fitts of the Dairymen's League Cooperative Association discussed the problem of marketing fluid milk from the New York City milk shed under the conditions of demand and prices induced by the depression.

A session was devoted to problems of the cooperative marketing of fluid milk in relation to recent economic developments. Mr. W. H. Bronson of the New England Milk Producers Association told of the efforts of that Association to supply Boston, and the other cities of New England, with New England produced sweet cream as well as fluid milk. While Mr. Bronson did not discuss the general problem of inter-regional competition and that of competition between different agricultural cooperatives, he did make clear, through a presentation of his Association's efforts, the fact that rather keen inter-regional and inter-cooperative competition does exist, and he painted an interesting picture of the way in which his own association is seeking to meet this competition and hold its markets. At this same session, Mr. H. B. Steele, Secretary of the Dairymen's Cooperative Sales Association of Pittsburgh, presented an able paper on this same general problem in which he discussed objectively the difficulties that cooperatives encounter in seeking to hold a limited market and at the same time maintain price differentials for fluid milk over the prevailing prices for milk for other uses and in competing areas. The closing paper on this program was presented by Mr. Harry Hartke, vice-president of the Cooperative Pure Milk Association of Cincinnati.

The problems connected with the cooperative buying of farm supplies was the subject for a session. Divergent objectives in cooperative buying was dis-

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[1] The editors depend on the members of the Association for the content of this section of the JOURNAL, and they bespeak the cooperation of all. "Spot news" is out of the question for a quarterly journal; the purpose is to assemble brief notices of changes of assignments of members, of work at institutions, and of other events thought to be of interest as reflecting the growth of work in our field. The printing schedule requires that items for the April issue be in hand by February 21 (May 25 and August 25 for the later issues), but may be sent at any time for use at the first opportunity. Items should be mailed to S. W. Mendum, Bureau of Agricultural Economics, Washington, D.C.

cussed by E. A. Perregaux of the Connecticut Agricultural College. Mr. M. J. Briggs of the Indiana Farm Bureau Cooperative Association told of the success that his cooperative had met with in the sales of gasoline and lubricating oils, and Mr. Quentin Reynolds, general manager of the Eastern States Farmers Exchange, discussed problems and progress in the cooperative purchasing and distribution of dairy feeds and other supplies for New England farmers. This discussion was closed with a paper by Mr. J. C. Crissey, president of the Cooperative Grange League Federation Marketing Corporation of the State of New York.

Credit for cooperatives was discussed at one of the general sessions. Dr. J. D. Black of Harvard University presented a paper on Commodity and Facility Advances. He directed particular attention to the importance of the problem of determining the margin of safety in advance payments to growers under pooling arrangements by which the product is sold over a considerable period following the delivery by the producers. Mr. Paul H. Bestor, Federal Farm Loan Commissioner, presented a discussion of the various new and old credit agencies established by the Federal government; and Mr. E. H. Thomson, president of the Federal Land Bank at Springfield, Massachusetts, discussed the matter of governmnet credit from the point of view of the Northeastern States.

Undoubtedly the high point in the conference was the two general sessions on the structure of cooperatives with reference to nation-wide organization of cooperative marketing and with reference to Federal Farm Board policies. Mr. Carl Williams, vice-chairman of the Federal Farm Board, represented the Board in these two sessions. Other speakers were Dr. E. G. Nourse of the Institute of Economics, Dr. W. E. Grimes of the Kansas State College, R. A. Ward of the Pacific Cooperative Wool Growers, and W. G. Meal of the Extension Service of the New Jersey State College. The first of these two sessions was opened by Mr. Williams setting forth the program of the Board in the encouragement of the development of cooperative marketing and the objectives which actuated the Board in the development and carrying out of its program. He took the position that the Board received a specific mandate in the terms of the Agricultural Marketing Act, to establish farmer-owned and farmer-controlled cooperatives on a nation-wide basis; that such a program was necessary in order to give the organized farmers the requisite economic power in the marketing of their commodities. Dr. Nourse, who followed Mr. Williams, took quite the opposite position. He stated that the Board's interpretation of the Agricultural Marketing Act as a mandate to establish nation-wide cooperatives was an unnecessarily sweeping interpretation of the actual wording of the law. Further, he stated as his opinion that the Board had been carried away by the vision of farmers' monopolies handling the marketing of all of the important agricultural commodities, thus putting the farmers of the country in an ideally impregnable economic position. It was his opinion that in seeking this impossible goal the Board had overlooked important economic and technical considerations with reference to the nature of the commodities and the geographic and economic conditions under which they are produced and had thus fallen short of what they might have achieved had their operations not been so largely influenced by the monopoly motive. Dr. Grimes discussed the work of the Board in the development of their grain marketing program and the basis of his

criticism of that program was very similar to the point made by Dr. Nourse.

In the second session devoted to this discussion Mr. Williams replied at length to Dr. Nourse and Dr. Grimes, reasserting the Board's interpretation of the Agricultural Marketing Act and defending the Board's position from the point of view of the practical elements in the problem with which they were working. There was an answering argument by Dr. Nourse and a final rejoinder by Mr. Williams.

The whole discussion was a vigorous and thorough-going debate upon an important controversial question dealing with fundamental economic principles and their practical application to the central activity of the Board. It was conducted upon a high plane and with admirable frankness, clarity, and objectiveness.

The general session on Wednesday evening, August 3, was devoted to a memorial program for the late Richard Pattee, prominent leader in agricultural cooperation, who was one of the chief promoters of the Institute and preeminently instrumental in organizing cooperative effort among the dairy farmers of the Northeastern States. The speakers on this program were Charles W. Holman, secretary of the Institute; Andrew L. Felker, New Hampshire State Commissioner of Agriculture; George R. Little of the New England Milk Producers Association, and Dr. E. G. Nourse.

An important feature of the program was the series of conferences on commodity marketing held in the afternoons. There were three meetings of the group interested in the marketing of dairy products, where such problems as truck transportation, production control, organization in the margins of the fluid milk sheds, centralized control of primary and secondary markets, and limitations of territory supplying fluid milk and cream were discussed. Those interested in the cooperative marketing of poultry and eggs met twice and discussed adjustment problems of poultry and egg production in depression periods and structure, policies, and problems of cooperative egg marketing in the Northeastern States. The marketing of fruits and vegetables was also discussed in two conference sessions. Terminal markets and the adjustment of cooperatives to new conditions; and trucking and its influence on country marketing were the general topics discussed.

A new feature of this year's program was the round table meetings. Eight round table groups, for the discussion of various problems common to all cooperatives, were organized. They met on four successive afternoons. The topics and leaders were as follows: Production Control, John D. Black, Professor of Agricultural Economics, Harvard University; Legal Problems, John D. Miller, Vice-President, Dairymen's League Cooperative Association; The Place and Body of Content of Courses Relating to Cooperative Marketing and Buying Associations in Vocational Agricultural High Schools, A. K. Getman, State Department of Education, Albany, N.Y.; Cooperative Purchasing, Quentin Reynolds, Eastern States Farmers Exchange, Springfield, Massachusetts; Potato Marketing, H. L. Robinson, Hastings Potato Growers Association, Hastings, Florida; Marketing of Local Perishable Products, L. A. Bevan, Division of Markets, Boston, Massachusetts; Fruit Marketing, A. U. Chaney, American Cranberry Exchange, New York, N.Y.; Membership Problems, Miss Verna Elsinger, Ohio Farm Bureau Federation, Columbus, Ohio.

Fifteenth American Country Life Conference

Taking as its discussion topic. "Adult Education and Rural Life," the American Country Life Association meeting at Oglebay Park, Wheeling, W.Va., October 13-15, 1932, viewed this question from many different angles in the various forum sessions and general meetings. The objectives of existing agencies were analyzed and modifications suggested. A well-balanced local program of rural adult education, it was held, should provide not only vocational guidance and training that will enable farm men and women to make effective adjustments to changing economic conditions and to discoveries in the natural sciences but will also furnish the basis for more stimulating cultural, social, and recreational activities. The need for greater coordination among the agencies operating in this field as a means of avoiding duplication and conflict, and of filling in the gaps, received considerable attention. Numerous practical applications and illustrations of these ideas were submitted during the discussions. Over 250 students from 23 colleges were registered as members of the conference in addition to a large adult enrollment.'

New England Research Council

The New England Research Council held its annual meeting at Boston, Mass., November 9 and 10, for the discussion of problems to be studied, methods of research, and results obtained. In commenting upon the meetings, Dr. O. C. Stine said: "The New England Research Council provides a medium for coordinating the research work of the New England States. The several States have able research workers, but as a rule the research work of a State is not sufficient to deal with all the problems, and the problems are not confined within the boundaries of any one State. Coordination not only makes possible a division of labor and a more effective attack upon the agricultural problems of a region, but it also stimulates each man in dealing with his own particular problem, and the results of the work of others contribute to the solution of his problems. Much has already been done in coordinating the work of the New England States, but, even so, much remains to be done. The planning of new work, as well as the continuing of projects under way, needs to be more carefully and definitely considered by representatives of the several research agencies dealing with the problems of New England."

National Research Council Fellowships

The National Research Council, Washington, D.C., offers National Research Fellowships for 1933-34 in the biological sciences, including agriculture and forestry, applications for which will be received not later than March 1, 1933. Applicants may be of either sex, citizens of the United States, and of Canada, who possess the Ph.D. degree or its equivalent. Basic stipends are $1620 for unmarried fellows and $2070 for married fellows in America, with additional travel allowance for fellows appointed to study in Europe.

National Association of Marketing Officials

The fourteenth annual meeting of the National Association of Marketing Officials, at Washington, D.C., December 13 and 14, took as the key-

note for its discussions improvement of farm marketing processes so as to yield producers the highest financial returns for their work and to give consumers the best value for their money. Fourteen States were represented at the meeting, mostly from the eastern part of the country. M. H. Brightman, of Rhode Island, was elected President of the Association, H. B. Davis, of West Virginia, Vice-President, and Sidney A. Edwards, of Connecticut Bureau of Markets, Hartford, Conn., Secretary-Treasurer. Proceedings of the thirteenth annual meeting were published just before this meeting and may be had through Mr. Edwards.

Land Use Study in Georgia

The Regents of the University System of Georgia and the Division of Land Economics of the Bureau of Agricultural Economics are cooperating in the conduct of a study of land use problems in the State. The general objective of this study is to ascertain facts on which there may be formulated public and private programs of action to bring about the profitable utilization of land resources and to effect, in so far as is possible, the materialization of a satisfying rural community life in the State.

Present plans call for cooperation among all State institutions to develop a long range program of rural planning. W. A. Hartman, of the Division of Land Economics, Bureau of Agricultural Economics, is in immediate charge of the project.

Contents of two numbers of the *Journal of Proceedings of the Agricultural Economics Society,* 1932, are as follows:

Vol. II, No. 1. The Adjustment of Agriculture to Industrial Rationalisation, the presidential address, by Professor D. H. Macgregor. *A Farmer's Interpretation of Agricultural Accounts,* by W. G. Coates. *Some Aspects of Meat Distribution and Consumption,* by Arthur Jones; *A Contribution to the Study of Occupational and Residential Mobility in the Cotswolds 1921-1931,* by M. A. Abrams.

Vol. II, No. 2. The Government and Agricultural Marketing, by F. J. Prewett; *The Political Economy of Agriculture,* by Joseph Duncan; *Some Aspects of Demand and Consumption in Relation to Marketing Studies,* by R. B. Forrester; and *The Position of the Sheep Enterprise,* by A. G. Ruston.

New Jersey agriculturists, business men, and rural bankers met at Trenton on November 18 and formed an association for the economic advancement of New Jersey's agricultural industry, under the supervision of William B. Duryee, Secretary of Agriculture of New Jersey. The association was created for the purpose of meeting farm credit problems before they reach emergency stages, and to consider the State's position in regard to national agricultural policies.

Projects now active at the North Carolina Experiment Station include studies of: Farm reorganization and management; methods and practices employed in the production of cotton and tobacco; factors influencing the production costs on dairy farms in Piedmont North Carolina; peach orchard management; dairy cattle as a supplementary enterprise to cotton farming in the Piedmont section; reorganization and management

of farms operated by cropper labor; factors influencing the cost of production of farm crops; cotton marketing; and methods and practices of cooperative associations.

Adjusting interest payments on farm mortgages to the price level of Iowa farm products is provided for in a plan worked out by Millard Peck, Iowa State College, and used by a Benton County farmer for figuring interest payments for 1932. Mr. Peck also reports that a number of farm tenants and landowners are using a new type of sliding-scale cash farm lease, in which the rent varies with the prices of the principal Iowa farm products.

A new office of Farm and Dairy Records has been established at the University of Wisconsin which will assemble all of the various business and production records pertaining to the daily farm. Cow testing associations will provide the source of data, and the project will be under the direction of a committee consisting of Professors Asher Hobson, chairman of the department of agricultural economics, G. C. Humphrey, chairman of the department of animal husbandry, and K. L. Hatch, director of extension. The personnel of the new office is composed of the herd improvement workers of the department of animal husbandry and Professors P. E. McNall and I. F. Hall and their staff of the department of agricultural economics.

A research project relating to consumer preferences and the market distribution of potatoes is under way at the University of Wisconsin. H. H. Bakken is making the study.

The Division of Agricultural Economics of the University of Minnesota and the Division of Land Economics, Bureau of Agricultural Economics, are cooperating in a land use study in Minnesota.

The fourth Land Management Short Course arranged by the University of Minnesota is scheduled for early February. As in the past, the program devotes attention to problems confronting agencies in possession of groups of farms.

Enrollment in the agricultural economics major at Massachusetts State College this fall was the largest on the campus. One-eighth of the graduating class of 1932 majored in that department.

The Bureau of Agricultural Economics will issue its annual estimates of the numbers and values of livestock on farms January 1 on February 15 this year instead of in January as heretofore.

Students of cotton production and marketing now have available what is believed to be the most comprehensive compilation of data on that subject assembled, in "Cotton and related data for agricultural workers," by Lawrence Myers and M. R. Cooper, Bureau of Agricultural Economics. This book consists of 108 pages of tables carrying various series back to early dates, with space provision for later data to be entered from current publications.

The research and extension program of the Department of Agricultural Economics, University of Maryland in the fiscal year 1932-33 has been enlarged somewhat rather than reduced. Active projects include studies of: Economics of the peach industry in Maryland; supply and distribution of Maryland tobacco; economic efficiency of the farm layout; organization and business analysis of Maryland farms; the farm problem in Maryland; economic aspects of farm tenancy and leasing systems in Maryland; and an economic study of the turkey industry in Maryland.

An Emergency Farm Mortgage Committee has been appointed by Governor Moore of New Jersey for the purpose of aiding farms overburdened with mortgage debts, by intervening when mortgage holders exert uncalled-for pressure on mortgagees. The committee will not loan money, but they hope to prevent foreclosures and the wiping out of equities. N. A. Back, agricultural statistician of the New Jersey Department of Agriculture is chairman of the committee.

Publications of the Bureau of Agricultural Economics for the year ended June 30, 1932, include 41 printed bulletins, circulars, etc., about 300 mimeographed reports, 289 special press releases, regional, weekly, and monthly market reviews for about 125 newspapers, monthly feature articles for 12 farm papers, and 110 articles by bureau authors for outside publication. Special attention was given last year to technical publications in the field of land utilization and farm finance.

The Southern Agricultural Outlook Conference was held at Atlanta, Ga., November 8-11, 1932, with more than 300 research and extension workers in attendance, of whom 67 were from States other than Georgia.

Governor White of Ohio recently appointed a State Farm and Home Protective Committee. The purpose of this committee is to promote and aid in establishing county and local committees which are to advise locally and personally with farm and home owners who have difficult mortgage problems. J. I. Falconer of the Department of Rural Economics was made chairman of the committee.

Members of the staff of the University of Minnesota, together with representatives of Twin City business concerns constitute the Minnesota Statistical Association. Economic problems of agriculture occupy a prominent place among the subjects discussed at the monthly meetings. Recent visiting speakers include B. H. Hibbard and Henry A. Wallace. O. B. Jesness is president of the association for the current year.

Work under way at the University of Tennessee in the Department of Agricultural Economics, under the direction of Dr. C. E. Allred includes a study of the effect of industrial development on rural life in two counties, by P. B. Boyer; an inventory of all types of communication facilities in the State, by James L. Anderson; a study of the incidence of taxation in relation to ability to pay and benefits received, by Maynard M. Reed; and analysis of the advantages and disadvantages of selling cotton in the seed, by Newton J. Stanford.

Mr. G. Douglass Collins, Jr., has resigned as Research Assistant in Agricultural Economics, University of Tennessee, to engage in cotton farming in Georgia.

Mr. Edwin F. Davis, formerly county agricultural agent of Lafayette County, Wisconsin, has taken a position with the Northwestern Mutual Life Insurance Company, and will assist in the management of its farms.

Dr. F. F. Elliott has returned to the Division of Farm Management and Costs, Bureau of Agricultural Economics, and will work on type-of-farming problems. For the past three years Dr. Elliott has been working on the type-of-farm analyses of the 1930 census data of the Bureau of the Census.

Mr. Joe A. Elliott, Research Assistant in Agricultural Economics, University of Tennessee, has resigned to engage in livestock farming.

Dr. H. E. Erdman, University of California, is on leave for the first half of the year to work with the Institute of Economics, Washington, D.C.

Dr. B. M. Gile, University of Arkansas, and Mr. Fred L. Garlock, Bureau of Agricultural Economics, are engaged in a cooperative study of failures of banks financing farmers in the State of Arkansas. The project is part of a broader program of studying the conditions under which country banks in different agricultural areas operate, with the purpose of determining the banking policies best adapted to different types of agriculture.

Virgil Gilman, Farm Management Demonstrator, Montana State College, is doing graduate work at Harvard University towards his doctor's degree. Mr. Gilman returned to the Montana institution for three months during the past summer to assist in a land utilization study.

Dr. Raleigh F. Hare, Associate Agricultural Statistician for New Mexico, has been retired on account of illness. Dr. Hare is author of 14 bulletins on various subjects published between 1905 and 1916, after which he took up the work of crop and livestock estimating in New Mexico.

Mr. G. H. Hatfield, Assistant Agricultural Economist, University of Tennessee, is making his headquarters at Memphis while engaged on an extensive study of cotton market practices.

Mr. H. J. Henney of the Kansas State College of Agriculture is on leave for the winter and spring quarters, taking graduate work at the University of Minnesota.

Mr. L. G. Hobson has been granted a year leave of absence for graduate study at Cornell University. He will resume his research studies in farm management at Purdue University, July 1.

Mr. Albert S. Jenkins, Research Assistant in Agricultural Economics, University of Tennessee has resigned to engage in tobacco marketing in South Carolina.

Mr. Ralph D. Jennings has been transferred from the Bureau of the Census to the Division of Farm Management and Costs, Bureau of Agricultural Economics.

Mr. Elgin E. McLean, recently Assistant Agricultural Economist, University of Missouri, has accepted a position in the Real Estate and Collection Department of the Federal Land Bank of St. Louis.

Mr. John J. Morgan, recently with the Federal Farm Board, has been appointed Assistant Agricultural Economist, in the Division of Land Economics, Bureau of Agricultural Economics, and has been assigned to duty in Georgia, assisting Dr. W. A. Hartman in the cooperative land utilization study now in progress there.

Mr. Reynolds I. Nowell, for two years on the staff of the Federal Farm Board, has been appointed Associate Agricultural Economist, in the Division of Land Economics, Bureau of Agricultural Economics, where he will work on land utilization surveys.

Governor Floyd Olson of Minnesota has appointed a land utilization committee to study and report on problems of land utilization in northern Minnesota. President Lotus D. Coffman of the University of Minnesota is chairman of the committee.

Mr. D. L. Outen, Research Assistant in Agricultural Economics, University of Tennessee, has resigned to engage in agricultural educational work in South Carolina.

Mr. Ben H. Pubols is now taking graduate work in economics at Harvard University. For two and one-half years he worked on the type-of-farm analysis of the 1930 census of agriculture in the Bureau of the Census.

Mr. F. V. Smith, formerly Assistant in Farm Management at Purdue University, is teaching in Gary, Indiana.

Mr. C. L. Spuller, formerly Assistant Instructor in Farm Management at Purdue University, is teaching vocational agriculture at Hagerstown, Indiana.

E. A. Starch, Associate Agricultural Economist, Montana Experiment Station, is doing graduate work at Harvard University on a National Research Council fellowship.

Mr. Oscar Steanson, Division of Farm Management and Costs, Bureau of Agricultural Economics, who has been conducting a farm organization study in the peanut sections of Alabama and Georgia, has returned to his headquarters to assist in the completion of reports of the study.

Mr. H. H. Stippler has returned to the Montana Experiment Station from the Giannini Foundation where he had a temporary appointment for the purpose of aiding members of the staff in translating and interpreting parts of the German literature on agricultural economics. Mr. Stippler is now handling a part of the work which Mr. E. A. Starch was handling prior to his taking up graduate work at Harvard.

Mr. H. J. Wadleigh, formerly on the staff of the Federal Farm Board, has been appointed Associate Agricultural Economist in the Foreign Agricultural Service Division, Bureau of Agricultural Economics, and will work in the field of foreign government legislation relating to agriculture.

TWENTY-THIRD ANNUAL MEETING OF THE AMERICAN FARM ECONOMIC ASSOCIATION

The twenty-third annual meeting of the American Farm Economic Association was held in Cincinnati, Ohio, Hotel Gibson, December 28, 29, and 30, 1932.

The annual business meeting of the Association convened at 9:00 A.M., Friday, December 30. Action was taken on the following matters:

Report of the Secretary-Treasurer

Statement of the receipts and expenses for the year ending December 20, 1932

RECEIPTS			
Receipts from dues		$4,975.74	
Back numbers of the JOURNAL		281.88	
Interest		396.12	
Stamped envelopes sold		11.24	
Miscellaneous		3.86	
Total Receipts			$5,668.84
EXPENSES			
JOURNAL OF FARM ECONOMICS			
Volume XIV, 4 issues	$3,039.13		
Reprints for authors	303.16		
Total		$3,342.29	
Postage			
Office of the President	$ 17.67		
Office of the Editor	15.00		
Office of the Secretary-Treasurer	143.52		
Mailing programs, 1931	7.97		
Mailing programs, 1932	70.00		
Total		254.16	
1931 Meeting			
Luncheon with Rural Sociologists	$ 39.00		
Printing 1931 programs	71.25		
Travel, Secretary-Treasurer	52.96		
Travel, Editor	255.01		
Share of joint expenses	44.68		
Total		462.90	
Travel			
Secretary-Treasurer	$ 22.63		
Members of the Tobacco Committee	15.59		
Total		38.22	
Back numbers of the JOURNAL purchased		373.85	
Membership literature—printing		38.75	
1932 programs—printing		73.00	
Office supplies		75.95	
Telephone and telegraph		8.90	
Exchange charges, check tax and checks returned		43.66	
Miscellaneous		34.36	

Total Expenses	4,746.04
Excess of receipts above expenses	$ 922.80
Balance, December 20, 1931	6,788.68
Balance, December 20, 1932	$7,711.48

Assets

Checking account		$ 597.42
Less checks not returned		92.65
Checking account, net		$ 504.77
Certificate of deposit, First National Bank, Madison, Wisconsin		1,000.00
Government bonds (cost) (Liberty)		6,206.71
Total Assets		$7,711.48

While receipts for 1932 were slightly in excess of those of the previous year, expenses increased by around $650.00. This is due largely to increases in postage and printing expenditures. The three-cent postage rate coupled with the heavy correspondence involved in a membership campaign explains the larger postage item. While we received reductions in printing rates during the year, the cost of issuing the JOURNAL was some $500.00 greater this year than last. This is accounted for by the fact that the JOURNAL was enlarged by action of the Executive Committee at its December, 1931, meeting both in number of pages, and in size of edition. The four editions of the 1931 JOURNAL contained 675 pages and 4850 copies as compared to 750 pages and 5350 copies for 1932.

Two other items of expenditure deserve attention. During the year the Association has increased its inventory of early back numbers of the JOURNAL by around 125 copies. Furthermore, the Association has on hand postage and expendable office supplies estimated at forty dollars, which items do not appear in the financial statement.

The Office of the Secretary-Treasurer, with the cooperation of State Representatives has conducted an intensive membership campaign during the year. In spite of these efforts, the membership has fallen in number from 1001 to 971. This decrease is explained, in large measure, by the policy adopted during the year, of dropping from the membership rolls those delinquent more than six months in the payment of their dues. (Members receive three notices and a personal letter before such action is taken.)

During the year there were 71 withdrawals and 106 were dropped because of delinquency. These losses were offset in part by the addition of 121 new members and the renewal of membership by 26 delinquents.

A classification of the membership of December 20, 1932, compared with the same date of the previous year is given below:

	December 20	
	1931	1932
Individuals	695	675
Corporations in the United States	47	37
Libraries in the United States	126	126
Foreign Libraries and Corporations	133	133
	1001	971

The ten leading states (including the District of Columbia) in number of members for the years 1931 and 1932 are:

	December 20 1931	1932
District of Columbia	115	106
New York	80	82
Illinois	60	53
Wisconsin	21	41
California	42	39
Ohio	31	24
Indiana	25	23
Iowa	18	23
Minnesota	23	21
Pennsylvania	21	20

The Secretary-Treasurer wishes to commend highly the cooperation of the State Representatives in securing new members. It is only through a continuation of this cooperation that the Association can hope to secure a sufficient number of new members to replace inevitable withdrawals.

It is reasonable to expect that the number of members will diminish during the coming year. In view of this prospect of a lower income, it is recommended that the present volume standards of the JOURNAL be maintained, but that every effort be made to keep incidental expenditures to a minimum.

Respectively submitted,
(Signed) ASHER HOBSON, *Secretary-Treasurer*

Report accepted as read.

Report of the Auditing Committee

Your Auditing Committee has inspected the books of the Secretary-Treasurer for the year 1932. We found a very systematic, efficient, and well-kept set of records. We believe the report of the Secretary-Treasurer for the year ending December 20, 1932, to be correct.

J. I. FALCONER, *Chairman*
(vice W. I. MYERS)
WALTER J. ROTH
O. G. LLOYD

Report of the Auditing Committee accepted as read.

The discussion following the report of the Auditing Committee brought out the advisability of appointing, in the future, this committee at a date sufficiently early to permit the auditing of the records of the Secretary-Treasurer before the Annual meetings rather than during these meetings.

Report of the Editor of the JOURNAL OF FARM ECONOMICS *for the Calendar Year 1932*

In spite of the fact that the first effects of the depression were beginning to be felt in Association affairs, the Executive Committee in December of 1931 authorized the Editor of the JOURNAL to publish up to 800 pages, an increase of 50 pages over the space previously authorized. The

total actually used was 749, an increase of about 11 per cent over the previous year. The Editor hopes that his readers will consider the space well used.

Contributed articles took up a greater proportion of the pages than during the previous year. There was an increase of over 50 per cent in the number of book reviews. The Editor is under the impression that his readers like to have a fairly wide range of material reviewed and has sought to have the leading new books reviewed as soon as convenient after publication. A statistical summary follows:

SUMMARY OF SPACE DISTRIBUTION IN THE JOURNAL FOR 1931 AND 1932

	Items		Pages	
	1931	1932	1931	1932
Papers read at annual meeting	28	25	326	251
Contributed articles	16	23	194	306
Notes	26	25	55	55
Book reviews	29	45	56	90
News items			28	20
Reports, index, etc.			16	27
			675	749

The Editor wished to thank those who contributed articles not only for their contributions, but in numerous cases for their patience in making revisions in the manuscript at his suggestion.

For the benefit of the incoming Editor, the present writer would like to urge that authors ask their typists to follow the style used in the JOURNAL in such matters as table and chart arrangements, footnotes, titles, etc. In numerous instances this unnecessarily necessary editing becomes a bit burdensome.

This may be a good place to elaborate on a suggestion made last year for the benefit of the younger authors. Too many of these are impatient to burst into print after they have typed a few pages outlining some new idea. The result is that many of the contributions from these men are not fully developed or are poorly stated. It is a good idea to remember that an article stays printed for a long time, once it gets that way. There is always time enough before submission to reread after the material has gotten slightly "cold." It would seem that in many cases younger men might well submit articles for critical reading to their colleagues before submitting them for publication. To this I should like to add further the suggestion that the senior members of departments might well give serious criticism and help to some of the younger men who have promising ideas in process of development before material is submitted to the Editor. This applies particularly to general articles but also to articles for the Notes Section.

Report of the Editor accepted as read.

Report of the Committee on Association Dues

It has been pointed out that the present economic situation is making it burdensome for certain members to continue their membership and is making it difficult to get new members, particularly among the junior group of workers.

While we recognize the desirability of making it financially possible for the greatest number of persons who are really interested in farm economics to remain or become members of the Association, we recommended to the Executive Committee that the present rate of dues be maintained for the coming year but that the matter be kept open for reconsideration at the next annual meeting.

We further recommend that the Executive Committee authorize the Secretary-Treasurer to appoint in its name a special membership representative in each state institution or other membership center to solicit new memberships and to follow up delinquents.

We also recommend that not to exceed 200 additional copies of the January, 1933, issue of the JOURNAL be printed, these to be placed in the hands of the membership representatives as sample copies for use in obtaining new members.

We also recommend further recognition of regional associations operating in the field of the American Farm Economic Association, such as the Western Farm Economic Association and the Agricultural Economics Section of the Southern Agricultural Workers, looking to the development of closer relationships between the national association and such regional branches or affiliates.

H. E. ERDMAN, *Chairman*
C. L. STEWART
V. B. HART (vice W. I. MYERS)
W. E. GRIMES
ASHER HOBSON

Report adopted as read.

Report of the Special Committee on the Farm Debt Situation

At the suggestion of the Executive Committee of the American Society of Farm Managers, Dr. J. D. Black appointed a committee of the American Farm Economic Association to meet with representatives of the American Society of Farm Managers to consider the formation of a plan for the joint consideration of the two associations regarding the farm debt situation. In response to this action the committee of the American Farm Economic Association met with representatives of the American Society of Farm Managers and wish to present to the Executive Committee of the American Farm Economic Association the following recommendations:

Believing that representatives of the two associations are in a position to serve in an intermediary capacity in bringing together debtor and creditor interests, we recommend that the American Farm Economic Association cooperate with the American Society of Farm Managers in placing in the hands of a joint steering committee, consisting of one member from each of the two associations with these two members empowered to secure additional committee members or sub-committees from their respective associations and from among representatives of farm mortgage creditors and debtors, the responsibility of calling a national Farm Debt Conference or of acting for the association in some alternative capacity dealing with this question.

It is further recommended that the American Farm Economic Associa-

tion appoint a farm credit committee to whom the appointed member of the steering committee shall be responsible.

The object of the action indicated above shall be to sponsor constructive suggestions for handling farm debt problems and the assembling of information which it is believed will be helpful in adjusting debtor and creditor relationships.

In taking this action any plans resulting from the work of the committee or committees which may be created shall not be construed as representing the policy of the association and that the whole objective of the association in this matter shall be that of an intermediary seeking to aid farm debtors and creditors.

As a possible program of action it is suggested that several committees be constituted, composed of representatives of the two associations, debtors as represented by national farm organizations and creditor interests, to prepare reports dealing with different phases of the farm credit problem which may at a later date be presented to national or regional conferences, representing all interests above mentioned, as a basis for formulating a coordinated report dealing with the problems of farm mortgage credit.

Assuming that such action is deemed advisable your committee recommends that prompt action be taken and to that end recommends that the member of the steering committee be elected or appointed as soon as possible.

Asher Hobson, *Chairman*
A. G. Black
H. C. M. Case
V. B. Hart
Eric Englund (absent)

The recommendations were adopted.

The Nominating Committee consisting of O. C. Stine, Chairman, M. L. Wilson (vice T. P. Cooper), G. S. Wehrwein, O. B. Jesness, and Leland Spencer presented the following nominations for the positions of officers of the association for the ensuing year:

President—H. R. Tolley, University of California, Berkeley.

Vice-Presidents—J. F. Booth, Department of Agriculture, Ottawa, Canada; L. P. Gabbard, A. & M. College of Texas, College Station.

Secretary-Treasurer—Asher Hobson, University of Wisconsin, Madison.

The above candidates were elected.

Mr. Leland Spencer presented the following motion:

"That not later than December 1 of each year, the Secretary-Treasurer shall mail a ballot to each member of the association who has paid dues for the current year, not including corporations, libraries or other institutions. Said ballot shall provide for a vote for each elective officer, the sealed ballots to be opened by tellers at the annual business meeting. The persons receiving the largest number of votes for each office shall be declared elected. No member shall be eligible to succeed himself as president of the Association within a period of ten years after holding office.

"If there is any office for which no one has received a majority of the votes cast, the position shall be filled by ballot at the annual business meeting from the three receiving the largest number of votes for the office."

The motion was adopted.

Mr. V. B. Hart presented the following motion:

"That a committee of five be elected at this meeting to consider the organization of a Board of Directors and other matters of organization of this association."

The motion was amended to read ten members instead of five. The motion as amended was adopted.

The following were elected as members of this committee:

G. F. Warren, Chairman, Cornell University, Ithaca, New York
O. B. Jesness, University of Minnesota, St. Paul, Minnesota
F. P. Weaver, Pennsylvania State College, State College, Pennsylvania
H. B. Price, University of Kentucky, Lexington, Kentucky
B. H. Hibbard, University of Wisconsin, Madison, Wisconsin
H. R. Tolley, University of California, Berkeley, California
H. C. M. Case, University of Illinois, Urbana, Illinois
E. C. Young, Purdue University, Lafayette, Indiana
C. R. Arnold, Ohio State University, Columbus, Ohio
O. C. Stine, Bureau of Agricultural Economics, Washington, D.C.

It was moved that the Secretary be instructed to express to the management of the Hotel Gibson and to the Convention Bureau of the Cincinnati Chamber of Commerce the high appreciation of the American Farm Economic Association for the fine cooperation received from these organizations in the conduct of the twenty-third Annual Meeting of the Association.

A hearty vote of thanks was extended to Mr. P. K. Whelpton, Chairman of the committee on arrangements.

The meeting adjourned at 10:15 A.M.

ASHER HOBSON, *Secretary-Treasurer*

The Executive Committee at its meeting on December 30, 1932, appointed O. B. Jesness, University of Minnesota, as Editor of the JOURNAL OF FARM ECONOMICS.

The Executive Committee authorized:

1. The Secretary to omit publishing the Association's "Handbook" in 1933, and to sell the membership list to individuals and organizations for purposes in harmony with the interests of the association.
2. The Secretary to cast the association's ballot in selecting a place of meeting for 1933.
3. The adoption of a larger size type for the printing in the JOURNAL of the "Notes" section and "Book Reviews."
4. The printing of not to exceed 200 copies of the January, 1933, number of THE JOURNAL to be used as sample copies.
5. The Secretary to negotiate with the Agricultural Economics Society of England with a view to establishing a closer relationship between that organization and the American Farm Economic Association.
6. The Secretary to solicit advertising accounts for the JOURNAL.

The Committee recommended that the Editor of the JOURNAL publish a list of contemplated Doctors' theses in the United States and Canada and a list of Masters' theses completed during the past twelve months and not previously reported.

An Agricultural Credit Committee composed of the following members was created:

E. C. Young, Chairman, Purdue University, Lafayette, Indiana
A. G. Black, Iowa State College, Ames, Iowa
B. H. Hibbard, University of Wisconsin, Madison, Wisconsin
M. R. Benedict, University of California, Berkeley, California
F. F. Hill, Cornell University, Ithaca, New York
J. D. Pope, Alabama Polytechnic Institute, Auburn, Alabama
William Allen, University of Saskatchewan, Saskatoon, Canada

Mr. H. C. M. Case, University of Illinois, Urbana, was appointed as the Association's member of the Farm Mortgage Debt "Steering Committee" created by the Association at its business session. (See report of special committee on the Farm Debt Situation).

The following committee on "Relations with Regional Associations" was created. (See report of Committee on Association Dues).

Asher Hobson, Chairman, University of Wisconsin, Madison, Wisconsin
H. C. M. Case, University of Illinois, Urbana, Illinois
H. E. Erdman, University of California, Berkeley, California
J. F. Booth, Department of Agriculture, Ottawa, Canada
G. W. Forster, State College, Raleigh, North Carolina

PROGRAM OF THE TWENTY-THIRD ANNUAL MEETING

WEDNESDAY, DECEMBER 28

10.00 A.M. Joint Meeting With the American Economic Association

SUBJECT: *Farm Debt and Distressed Land Holding*

CHAIRMAN: John D. Black, Harvard University

PAPERS: 1. "Distressed Land Holding in the United States"

A. Tax Delinquent. B. H. Hibbard, University of Wisconsin. Discussion leader: Herbert Simpson, Northwestern University.

B. Mortgage Delinquent. R. M. Green, Prudential Life Insurance Company. Discussion leader: David L. Wickens, Bureau of Agricultural Economics.

2. "Outlook for Farm Mortgage Debt and Plans for Handling It." F. F. Hill, Cornell University. Discussion leaders: Thomas P. Cooper, University of Kentucky, and Chester Gray, American Farm Bureau Federation.

12:45 P.M. Joint Meeting With the Rural Sociological Section of the American Sociological Society

SUBJECT: *The New Landward Movement*

CHAIRMAN: John H. Kolb, University of Wisconsin

PAPERS: 1. "The Extent, Character and Future of the New Landward Movement." P. K. Whelpton, Scripps Foundation for Research in Population Problems, Miami University. Discussion leaders: L. C. Gray, Bureau of Agricultural Economics, and Lynn Smith, University of Louisiana.

2:30 P.M. Round Table I

SUBJECT: *Professional Farm Managing*

LEADER: H. C. M. Case, University of Illinois

PAPERS: 1. "Recent Developments and the Present Status of Professional Farm Management in the United States." D. H. Doane, Doane Agricultural Service, Missouri. Discussion: P. E. Johnson, University of Illinois.

2. "Changes in Organization and in Farm Practices That Have Recently Been Effective on Professionally Managed Midwest Farms." Walter W. McLaughlin, the Decatur Farm Management, Inc., Illinois; Hudson Burr, Ætna Life Insurance Company; Frank W. Reinoehl, Colonization Finance Corporation of Canada, Limited; L. M. Woodhouse, Fidelity and Columbia Trust Co., Kentucky; Ersel Walley, Walley Agricultural Service, Indiana.

Round Table II

SUBJECT: *Marketing Extension*

LEADER: L. G. Foster, Ohio State University

PAPERS: 1. "Extension in Cooperative Business Management." M. C. Bond, Cornell University, and Rudolph Froker, University of Wisconsin.

2. "Education Preliminary to Cooperative Organization." B. B. Derrick, Federal Farm Board.

3. "Instruction in Cotton Classing." A. W. Palmer, Bureau of Agricultural Economics. Discussion: Asher Hobson, University of Wisconsin, and H. C. Grant, Manitoba Agricultural College.

Round Table III

SUBJECT: *Undergraduate Agricultural Economics*

LEADER: O. B. Jesness, University of Minnesota

PAPERS: 1. "The Nature and Content of the Introductory or Required Courses in Agricultural Economics." Report by a committee of the following: I. G. Davis, Chairman, Connecticut Agricultural College; J. I. Falconer, Ohio State University; G. W. Forster, North Carolina Agricultural College; Frank Hady, South Dakota State College; Harald S. Patton, Michigan State College. Discussion led by other members of the committee.

2. "An Economist's Conception of the Economic Training to be Included in a Four-year Agricultural College Course for Prospective Farmers." Report by a committee of the following: A. G. Black, Chairman, Iowa State College; H. C. M. Case, University of Illinois; L. P. Gabbard, Texas Agricultural and Mechanical College; R. M. Green, Kansas State Agricultural College; F. F. Lininger, Pennsylvania State College. Discussion led by other members of the committee.

3. "Undergraduate Preparation for a Graduate Major in Agricultural Economics." Report by a committee of the following: George Wehrwein, Chairman, University of Wisconsin; L. J. Norton, University of Illinois; Leland Spencer, Cornell University; H. R. Tolley, Giannini Foundation of Agricultural Economics, University of California; Warren Waite, University of Minnesota. Discussion led by other members of the committee.

8:00 P.M.

SUBJECT: *Land-use Programs*

CHAIRMAN: H. C. Taylor, Washington, D.C.

PAPERS: 1. "A Land-use Program for the Federal Government." M. L. Wilson, Montana Agricultural College. Discussion leader: Cully Cobb, Progressive Farmer and Southern Ruralist.

2. "State Land-use Commissions and State Programs of Land Use." Raphael Zon, Lake States Forest Experiment Station, University of Minnesota; C. E. Ladd, Cornell University; A. B. Cox, University of Texas.

THURSDAY, DECEMBER 29

10:00 A.M. Joint Session With the American Statistical Association

SUBJECT: *Evaluation of the Economic Position of Agriculture in the United States; by Regions and in General*

CHAIRMAN: John D. Black, Harvard University

PAPERS: 1. "Prices of Farm Products." J. S. Davis, Food Research Institute, Stanford University. Discussion leader: O. C. Stine, Bureau of Agricultural Economics.

2. "Land Prices." Ernst Wiecking, Bureau of Agricultural Economics. Discussion leader: Charles L. Stewart, University of Illinois.

3. "Wealth, Income and Living." George M. Peterson, Giannini Foundation of Agricultural Economics, University of California. Discussion leader: E. C. Young, Purdue University.

2:30 P.M. Round Table I

SUBJECT: *Marketing and Prices of Farm Products*

LEADER: Henry Keller, Jr., Rutgers University

PAPERS: 1. "Analysis of Short-time Movements of Prices of Farm Products." A. J. Weaver, Federal Farm Board. Discussion: G. B. Thorne, Bureau of Agricultural Economics.

2. "Future Trading in Produce." C. A. Browne, University of Illinois. Discussion: E. A. Duddy, University of Chicago.

3. "Differentials in Prices of Canadian and United States Markets." J. F. Booth, Agricultural Economics Branch, Department of Agriculture, Canada. Discussion: Harald S. Patton, Michigan State College.

Round Table II
SUBJECT: *Farm Management Extension*
LEADER: V. B. Hart, Cornell University
PAPERS: 1. "The Nature and Possibilities of Type-of-Farming Readjustment Programs." Leland G. Allbaugh, Iowa State College.
2. "The Technique of Assisting Farmers in Individual Farm Adjustments." L. M. Vaughan, Office of Cooperative Extension, United States Department of Agriculture.
3. "The Technique of Extension Use of Material from Farm Accounting Associations." Robert R. Hudelson, University of Illinois. Discussion: F. P. Weaver, Pennsylvania State College, and W. J. Roth, Bureau of Agricultural Economics.

Round Table III
SUBJECT: *Taxation Research*
LEADER: Eric Englund, Bureau of Agricultural Economics
PAPERS: 1. "Review of Current Taxation Research." M. M. Daugherty, University of Delaware, Secretary of Special Advisory Committee of the Committee on Agriculture of the Social Science Research Council.
2. "A Program of Research Basic to Income Tax Legislation as It Affects Agriculture." M. Slade Kendrick, Cornell University.
3. "Research in Forest Taxation as It Affects Agriculture." B. W. Allin, Bureau of Agricultural Economics. Discussion: Harold M. Groves, University of Wisconsin, and Raphael Zon, University of Minnesota.

6:30 P.M.
SUBJECT: *The Outlook for the Cooperative Marketing of Tobacco in the United States*
CHAIRMAN: Asher Hobson, University of Wisconsin
Report by a Committee of the following:
H. B. Price, Chairman, University of Kentucky
C. E. Brehm, University of Tennessee
William Collins, Federal Farm Board
I. G. Davis, Connecticut Agricultural College
James Dickey, United States Department of Agriculture
Mordecai Ezekiel, Federal Farm Board
L. G. Foster, Ohio State University
Asher Hobson, University of Wisconsin
John Hutcheson, Virginia Polytechnic Institute
Discussion: Hon. James C. Stone, Chairman of the Federal Farm Board; Dawson Chambers, President of the Burley Tobacco Growers' Cooperative Association; John Hutcheson; William Collins; and other members of the committee.

FRIDAY, DECEMBER 30

9:00 A.M. Business Meeting

10:00 A.M. Round Table I
SUBJECT: *Supply and Price Relationships for Farm Products*
LEADER: O. C. Stine, Bureau of Agricultural Economics

PAPERS: 1. "The Effect on Prices of Farm Products of Changes in Their Supply." L. H. Bean, Bureau of Agricultural Economics.

2. "Measuring the Responsiveness of Supply of Individual Farm Products to Changes in Price and Other Factors." John M. Cassels, Harvard University. Discussion: Henry Wallace, Wallace's Farmer; H. N. Young, Virginia Polytechnic Institute; Percy George, University College of Wales; Mordecai Ezekiel, Federal Farm Board.

Round Table II

SUBJECT: *The Short-term Agricultural Credit Situation*

CHAIRMAN: Charles L. Stewart, University of Illinois

PAPERS: 1. "Recent Developments with Respect to Short-term and Emergency Agricultural Credit." Normal Wall, Bureau of Agricultural Economics.

2. "Proposals and Their Possibilities." Frieda Baird, Brookings Institution.

3. "Short-term Borrowing Policies of Farmers." V. B. Hart, Cornell University. Discussion: G. C. Haas, Federal Farm Board, and L. J. Norton, University of Illinois.

12:45 P.M. Annual Farm Economics Luncheon

PAPERS: 1. "Plugging a Gap in an Agricultural Economist's Training." W. I. Myers, Cornell University.

2. "A Four-year Presidential Program for American Agriculture." Henry C. Taylor, Washington, D.C.

2:45 P.M. Round Table I

SUBJECT: *Farm Management*

LEADER: F. P. Weaver, Pennsylvania State College

PAPERS: 1. "Use of the Type-of-Farming Material of the 1930 Census in Research and Teaching." F. F. Elliott, Bureau of the Census. Discussion: W. E. Grimes, Kansas State Agricultural College.

2. "Theory of Combination of Enterprises on Individual Farms." Sherman Johnson, South Dakota State College. Discussion: Z. L. Galloway, University of Kentucky.

Round Table II

SUBJECT: *Marketing Farm Products*

LEADER: Fred Clark, Northwestern University

PAPERS: 1. "The Economic Basis of Market Grades." O. B. Jesness, University of Minnesota. Discussion: Henry E. Erdman, Giannini Foundation of Agricultural Economics of the University of California.

2. "The Practice and Theory of Market Exclusion Within the United States." Leland Spencer, Cornell University. Discussion: E. G. Nourse, Brookings Institution; F. B. Garver, University of Minnesota; Asher Hobson, University of Wisconsin.

Round Table III

SUBJECT: *Economics for Adult Farmers*

LEADER: J. I. Falconer, Ohio State University

PAPERS: 1. "The Connecticut System." A. W. Manchester and Paul L. Putnam, Connecticut Agricultural College.

2. "Programs of Adult Study of Taxation." Harold Howe, Kansas State Agricultural College.

3. "Methods of Adult Education in Price Economics." Carl R. Arnold, Ohio State University.

The approximate attendance at the various sessions was as follows:

December 28

Morning—Joint meeting with American Economic Association	245
Joint luncheon with the Rural Sociology Section of the American Sociological Society	150
Afternoon (Round Tables)	165
Evening	150

December 29

Morning—Joint meeting with American Statistical Association	190
Afternoon (Round Tables)	160
Evening	60

December 30

Morning business meeting	105
Morning (Round Tables)	215
Annual luncheon	130
Afternoon (Round Tables)	45

Resolutions Passed by the Sixth Annual Conference of the Western Farm Economics Association at Salt Lake City, August 9 and 10, 1932

I.—The members of this association recommend to the consideration of the various departments of agricultural economics that serious consideration be given to methods whereby groups of foreclosed farms may be organized for more permanent supervision and administration and in such a way as to provide greater security of tenure and less destructive methods of farming on the part of farm operators now on them. We suggest the possibility that suitable plans of leasing and supervising may make this arrangment relatively satisfactory both to tenant and owner for a considerable period of years.

II.—This association recommends to those of its members who are directly concerned with irrigation district problems that a careful analysis be made of the functions performed by the various agencies in their states that are concerned with these problems with a view to developing a better understanding and coordination of the work of such agencies.

III.—The members of the Western Farm Economics Association, after careful consideration of the problems of cooperation to the fullest possible extent with the National Land Use Planning Committee, submit to that committee the following suggestions duly adopted as resolutions of the association, these being presented with a view to facilitating the fullest cooperation, on the part of members of this association, in furthering the work of the Land Use Planning Committee.

(a) That the committee's work be limited, as far as possible, to problems directly concerned with land classification and the ways of utilizing the land resources of the country (in terms of major land uses, not in terms of farm management).

(b) That the work of many of the technical sub-committees be subdivided regionally and directed to more specific treatment of these problems in a regional way.

IV.—In view of the financial and other difficulties that many of the irrigation and drainage districts of the West are now facing, and because numerous obstacles, such as these, may be avoided in the future if proper precautions are taken before the organization of such districts, the association recommends that before a district is organized that a detailed economic study and a soil survey of the proposed area be made.

V.—The membership of the Western Farm Economics Association, including the 11 Western states hereby indicates a sympathetic understanding of the difficult and complicated problems which have arisen for both debtors and creditors in the agricultural areas, especially in irrigation, reclamation, and drainage districts, and their conviction that prompt and equitable settlement of these problems is essential to the rehabilitation and progress of the agricultural areas affected. Be it resolved, therefore, that we pledge our fullest cooperation in developing information which will aid in working out these situations in ways that will best further the joint interests of the owners, debtors and creditors in these areas.

VI.—The membership of the Western Farm Economics Association believes that in many of the far Western states there exists a need for a more orderly and determinate legal procedure for handling the affairs of irrigation, drainage and reclamation districts, which are in financial difficuties. Severe hardship and loss have resulted to landowners and bond-

holders and serious deterioration has occurred in social institutions in communities because of the failure to bring about prompt and equitable settlement in the affairs of defaulting districts. Be it, therefore, resolved that we respectfully bring to the attention of farm organizations and legislative bodies the fact that there exists in many of the states a need for legislative action which will provide a more definite and positive procedure for the handling of the affairs of such districts when in financial difficulties, and we furthermore suggest that attention be given to the possibilities of providing some method of payment of indebtedness which will lessen the likelihood of default in periods of depression.

VII.—The membership of the Western Farm Economics Association recognizes that the serious decline in the prices of farm products has created a situation in which many efficient and dependable farmers are unable to meet principal and interest payments on their financial obligations and that this has resulted in numerous defaults and in foreclosures and other undesired acquisitions of land by credit agencies. We are of the opinion that where the operator is an efficient farmer the best interests of both the creditor and the debtor would in many cases be promoted by the present operator continuing to operate the farm, rather than by his being replaced by someone else, and that compromise measures will often result in more gain to creditor, as well as debtor, than will strict legal procedure. We, therefore, urge our membership to give whatever assistance is possible in working out with credit agencies policies which will make this result possible. In this connection we urge that consideration be given to adjustments based upon changes in prices of farm products or payment in kind, rather than in fixed monetary sums, where this is not in conflict with legal requirements.

VIII.—Whereas, the protection of watershed lands to prevent devegetation that exposes the soil to erosion, increases surface run-off, intensifies the peak and damage of floods and otherwise injures favorable conditions of stream flow, is essential to the security of sound agricultural development in the West, and whereas, dependent values are being increasingly adversely affected owing to large areas of watershed lands not receiving the needed protection and whereas, the private owner cannot be expected to carry the expense required to apply watershed protection measures, from which he derives no direct benefit, but upon which the welfare of community interest are dependent, therefore, be it resolved that land planning and land control take into account the need for public ownership, regulation and control of watershed lands.

IX.—In view of the large interest which agriculture has in industrial prosperity of the country, be it resolved that the committee in charge of the program of this association for 1933 give a prominent place on the program to the question of methods and means of bringing about greater activity and continuity in industrial production and employment and the relation of these to agriculture.

PAUL A. EKE, *Secretary*
Western Farm Economics Association

The Third International Conference of Agricultural Economists

Will be held at BAD EILSEN, SOUTH HANOVER, GERMANY, AUGUST 21 to 28, inclusive

The program includes the following subjects:

A Review of the World Agricultural Situation.

Agriculture in Germany.

International Credit and Monetary Factors (Debts, Reparations, Loans, Interest) and their influence upon Agricultural Prices.

Over-production, Under-consumption and Unemployment.

Policy of International Trade in Agricultural Products.

Large-scale and Family Farming.

Market Production or Self-sufficiency?

The Farm and the Family as Social Institutions.

State and Collectivist Farming.

Co-operative Marketing and Organization.

Those planning to attend or desiring further details regarding this Conference should address one of the following:

H. C. M. Case, University of Illinois, Urbana, Illinois

Asher Hobson, University of Wisconsin, Madison, Wisconsin

C. E. Ladd, Cornell University, Ithaca, New York

G. F. Warren, Cornell University, Ithaca, New York